

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

METROKANE, INC.,  
Plaintiff,

vs.

HOUDINI, INC.,  
Defendants.

Case No. 08-CV-5841 (NRB)  
ECF Case

**DECLARATION OF EDWARD R. SCHWARTZ IN SUPPORT  
OF HOUDINI, INC.'S MOTION TO STAY OR TRANSFER**

Edward R. Schwartz states:

1. I represent Houdini, Inc. ("Houdini") in trademark litigation matters. I make this declaration based on personal knowledge and could competently testify to the facts stated herein if called upon to do so.

2. In July 2005, Houdini commenced a proceeding before the Trademark Trial and Appeal Board ("TTAB") of the United States Patent and Trademark Office to cancel a registration for the trademark HOUDINI for corkscrews which had been issued to Metrokane, Inc. ("Metrokane"). The ultimate issue in that proceeding was whether Metrokane was entitled to a registration for HOUDINI, not whether either party was entitled to continue to use the mark.

3. The main fact issues in the cancellation proceeding before the TTAB were which party had priority of use of the HOUDINI trademark and whether there was a likelihood of confusion caused by Metrokane's use of the mark vis-à-vis Houdini's use of the mark. Metrokane also asserted that Houdini's petition for cancellation was barred by laches. In a decision dated May 1, 2008, the TTAB ruled in Houdini's favor on all issues, granted Houdini's petition for cancellation and ordered cancellation of Metrokane's registration for HOUDINI.

4. On May 9, 2008, Houdini commenced a civil action against Metrokane in the United States District Court for the Central District of California, Civil Action No. CV08-03076

PA (FMOx) asserting claims for trademark infringement and unfair competition based on Metrokane's use of the HOUDINI trademark. Houdini seeks an award of damages as well as injunctive relief. The complaint was served on Metrokane on May 13, 2008. A true copy of the Complaint is attached hereto as Exhibit A.

5. After requesting and receiving Houdini's stipulation to a couple of extensions of time to respond to the Complaint, Metrokane filed an Answer to the Complaint in the California action on June 25, 2008, in which it largely denied Houdini's claim and asserted affirmative defenses of priority of use, likelihood of confusion and laches. Metrokane did not assert any counterclaims. A true copy of the Answer is attached hereto as Exhibit B.

6. The main fact issues in the California action are which party had priority of use of the HOUDINI trademark, whether there is a likelihood of confusion caused by Metrokane's use of the mark vis-à-vis Houdini's use of the mark, and whether Houdini's claims are barred by laches.

7. On July 7, 2008, Houdini filed a Motion for a Preliminary Injunction in the California case. The case has been fully briefed and the Court has taken the Motion under submission. True copies of Houdini's memorandum in support of the Motion, Metrokane's opposition to the Motion, and Houdini's reply brief are attached hereto as Exhibits C, D, and E, respectively.

Sworn to under the penalty of perjury this 31st day of July, 2008 in Pasadena, California.

s/ Edward R. Schwartz  
Edward R. Schwartz

# EXHIBIT A

CONFORMING COPY

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Attorneys for Plaintiff,  
Houdini, Inc.

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CENTRAL DIST. OF CALIF.  
LOS ANGELES, CA

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

HOUDINI, INC.,

Plaintiff,

vs.

METROKANE CORPORATION,

Defendant.

Case No. **CV08-03076**

COMPLAINT FOR:

1. INFRINGEMENT OF AN UNREGISTERED TRADEMARK; and
2. COMMON LAW UNFAIR COMPETITION

**I. JURISDICTION.**

1. This is an action for infringement of an unregistered trademark pursuant to 15 U.S.C. § 1125(a) and unfair competition under the common law of California. This Court has supplemental jurisdiction over Plaintiff's state law claim under 28 U.S.C. § 1267(a).

2. Venue is proper under 28 U.S.C. § 1391(b) because Defendant Metrokane Corporation resides in this judicial district.

**II. PARTIES.**

3. Plaintiff Houdini, Inc. is a corporation organized and existing under the laws of the State of California having a principal place of business at 4225 N. Palm Street, Fullerton, California 92835.

1           4. On information and belief, Defendant Metrokane Corporation is a  
2 corporation organized and existing under the laws of New York having a  
3 principal place of business at 150 East 58th Street, 17th Floor, New York, New  
4 York 10155.

5       **III. FACTUAL BACKGROUND.**

6           5. Plaintiff has been in the business of making gift baskets since 1984.  
7 Plaintiff designs, promotes and delivers gift baskets to wholesale and retail  
8 customers.

9           6. Plaintiff creates various themed baskets, including wine themed gift  
10 baskets, that may contain gourmet food, cheese, plates, wine, wine accessories,  
11 wine glasses, wine chillers, cutting boards and/or corkscrews. Plaintiff markets  
12 such baskets under the trademark HOUDINI, as well as other trademarks  
13 including HOUDINI NORTHWEST BASKET and HOUDINI WALL BASKET.

14          6. Plaintiff initially sold its gift baskets to liquor and wine stores, and  
15 has expanded its customer base to include wineries as well as wholesale clubs and  
16 retailers, including Pace Wholesale (now Sam's Club), Costco, Cost Plus, Target,  
17 Wal-Mart, Bed, Bath & Beyond, and B-J's. Plaintiff's wholesale customers then  
18 resell the baskets to the general public.

19          7. Plaintiff markets and promotes its gift baskets at the National  
20 Association of Specialty Food Retailers trade show and over the internet at  
21 houdiniinc.com.

22          8. Plaintiff is presently the second largest gift basket company in the  
23 United States, with annual sales of approximately one million baskets generating  
24 considerable income.

25          9. Plaintiff has been careful, skillful and diligent in the conduct of its  
26 business and has maintained uniform standards of high quality in its goods. As a  
27 result of these efforts, Plaintiff's HOUDINI trademark has acquired a favorable  
28 reputation representing a goodwill which inures to Plaintiff's benefit.

1           10. On information and belief, Defendant has been in the business of  
2 providing beverage, bar-ware accessory and house wear products since 1983.

3           11. In April 2002, Defendant introduced a corkscrew under the  
4 trademark HOUDINI. Defendant markets its HOUDINI corkscrews primarily  
5 through large national retailers and wine and liquor chains, including Target, Bed,  
6 Bath & Beyond, and Beverages & More.

7           12. Defendant has recently expanded its use of the HOUDINI trademark  
8 to wine accessories including coolers for wine, cooling buckets for wine, wine  
9 bottle openers, wine drinking glasses, wine vacuum pumps, cutters for wine bottle  
10 foil and wine racks.

11           13. Defendant is the owner of United States Trademark Registration No.  
12 2,687,530 for HOUDINI for corkscrews ("the '530 Registration") which issued on  
13 February 11, 2003.

14           14. On September 28, 2004, Plaintiff, by its attorneys, sent a letter to  
15 Defendant demanding that Defendant cease its use of the HOUDINI mark.  
16 Correspondence between counsel continued throughout February 2005 without  
17 resolution of the dispute.

18           15. On July 13, 2005, Plaintiff filed a petition with the United States  
19 Patent and Trademark Office ("PTO") to cancel the '530 Registration. In a  
20 decision dated May 1, 2008, the PTO granted Plaintiff's petition finding that  
21 Plaintiff had established priority of use of the HOUDINI mark and that there was  
22 a likelihood of confusion between the parties' respective uses of the HOUDINI  
23 mark. A true copy of the decision is attached hereto as Exhibit A.

24           16. On information and belief, Defendant continues to use the HOUDINI  
25 mark in the manner described in paragraphs 10 and 12, above. Defendant's use of  
26 the mark HOUDINI has been and continues to be without the consent or  
27 authorization of Plaintiff.

28                           **FIRST CLAIM FOR RELIEF**

**(Infringement of An Unregistered Trademark)**

17. Plaintiff repeats and realleges paragraphs 1 through 16 hereinabove.

18. Plaintiff's trademark HOUDINI is inherently distinctive and further has acquired distinctiveness as a result of its use by Plaintiff.

19. Defendant's use of Plaintiff's unregistered trademark is likely to cause public confusion that Defendant's goods are sponsored or authorized by or affiliated with Plaintiff.

20. The above-described acts of Defendant constitute infringement of an unregistered trademark and a false designation of origin in violation of 15 U.S.C. § 1125(a) in that Defendant has used in connection with its goods a trademark which is likely to cause confusion or mistake or to deceive that Defendant's goods are authorized or sponsored by, or are affiliated with Plaintiff and has caused such goods to enter into commerce which may be regulated by Congress.

21. Plaintiff is being damaged and is likely to be damaged in the future by Defendant's infringement by reason of the likelihood that prospective purchasers and purchasers of Defendant's goods will be confused as to the source, sponsorship, or affiliation of Defendant's goods.

22. Defendant has unfairly profited from the actions alleged herein and will continue to be unjustly enriched unless and until such conduct is enjoined.

23. By reason of Defendant's acts alleged herein, Plaintiff has and will continue to suffer damage to its business goodwill.

24. By reason of Defendant's acts alleged herein, Plaintiff has suffered and will suffer irreparable harm unless and until Defendant's conduct is enjoined.

25. On information and belief, Defendant's acts alleged herein were willful and taken in conscious disregard of Plaintiff's rights.

**EXHIBIT**  
**PAGE**

**SECOND CLAIM FOR RELIEF**

**(For Common Law Trademark Infringement)**

26. Plaintiff repeats and realleges paragraphs 1 through 25 hereinabove.

27. The above-described conduct of Defendant constitutes unfair competition under the common law of the State of California.

28. As a result of such actions, Plaintiff has been damaged in an amount to be proven at trial.

29. Because Defendant's conduct has been and continues to be intentional, willful, and in reckless disregard of Plaintiff's rights, Plaintiff is entitled to punitive damages against Defendant.

**REQUEST FOR RELIEF**

WHEREFORE, Plaintiff prays for relief as follows:

1. That this Court declare that the trademark HOUDINI is valid and is owned by Plaintiff;

2. That this Court declare that Defendant has infringed Plaintiff's trademark rights and has committed acts of unfair competition by its unauthorized use of the trademark HOUDINI;

3. That Defendant, its agents, employees, and representatives and all persons acting in concert or in privity with any of them be permanently enjoined from using the trademark HOUDINI alone or in combination with other words, symbols, or designs, or any mark confusingly similar thereto, in any advertising, web site, or for any other purpose;

4. That Plaintiff be awarded the greater of its damages or Defendant's profits resulting from its infringement of Plaintiff's trademark rights;

5. That damages resulting from Defendant's willful trademark infringement be trebled in accordance with the provisions of 15 U.S.C. § 1117;

6. That Plaintiff be awarded punitive damages under the common law of California;




1           7. That Plaintiff be awarded its attorney's fees, expenses and costs  
2 incurred in connection with this case; and

3           8. That Plaintiff be awarded such other relief as may be appropriate.  
4

5                           Respectfully submitted,  
6                           CHRISTIE, PARKER & HALE, LLP

7  
8 DATED: May 8, 2008

9                           By   
10                           Edward R. Schwartz  
11                           Attorneys for Plaintiff,  
12                           Houdini, Inc.

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## EXHIBIT A

EXHIBIT *A*  
PAGE *8*

**THIS OPINION IS NOT A  
PRECEDENT OF  
THE T.T.A.B.**

Mailed: May 1, 2008

**UNITED STATES PATENT AND TRADEMARK OFFICE**

**Trademark Trial and Appeal Board**

Houdini, Inc.  
v.  
Metrokane, Inc.

Cancellation No. 92044725

Edward R. Schwartz of Christie, Parker & Hale, LLP for  
Houdini, Inc.

Lee A. Goldberg and Nathaniel B. Buchek of Pearl Cohen Zedek  
Latzner, LLP for Metrokane, Inc.

Before Seeherman, Cataldo and Ritchie de Larena,  
Administrative Trademark Judges.

Opinion by Cataldo, Administrative Trademark Judge:

Houdini, Inc. ("petitioner") has petitioned to cancel  
Registration No. 2687530 for the mark HOUDINI, owned by  
Metrokane, Inc. ("respondent").<sup>1</sup> The registration issued on  
February 11, 2003 on the Principal Register. The goods are  
identified therein as "corkscrews," in International Class  
21.

<sup>1</sup> Application Serial No. 78081594, which matured into the  
registration at issue, was filed on August 29, 2001.

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In its amended petition for cancellation, petitioner asserts that since prior to respondent's first use of its mark, petitioner has continuously used in commerce the mark HOUDINI in connection with gift baskets containing a variety of products, including corkscrews. Petitioner further asserts that it is the owner of two trademark applications for the mark HOUDINI, respectively for: "gift baskets and gift packages containing food, beverages and/or household items, namely, corkscrews, coasters, wine glasses, mugs, dishes, cutting boards, cheese spreaders, bath brushes and bath sponges;" and "gift baskets and gift packages consisting primarily of wine."<sup>2</sup> Petitioner asserts in addition that its applications have been refused registration by the Trademark Examining Operation under Section 2(d) of the Trademark Act on the basis that petitioner's marks are likely to cause confusion with the mark in respondent's Registration No. 2687530. Petitioner alleges that by virtue of its use of the mark HOUDINI it has built up valuable goodwill therein which would be jeopardized by the continued registration of respondent's HOUDINI mark. Petitioner further alleges that "as stated by the Trademark Office in refusing Petitioner's '517 Application and '512 Application," (amended notice of

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<sup>2</sup> Application Serial Nos. 78655512 and 78655517 were filed on June 21, 2005.

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opposition, p. 2) respondent's mark so resembles petitioner's previously used mark as to be likely, when applied to the parties' respective goods, to cause confusion or to cause mistake or to deceive.

Respondent's amended answer consists of a general denial of the allegations in the petition for cancellation. In addition, respondent asserts the affirmative defense of laches.

#### **The Record**

The record in this case consists of the pleadings and the file of the involved registration. In addition, during its assigned testimony period, petitioner took the testimony deposition, with accompanying exhibits, of the following individuals: its President and founder, Timothy J. Dean; its Senior Sales Manager, Joe Weschler; its Chief Financial Officer, Daniel J. Maguire; and Stacy-Ann Goodwin, a paralegal with counsel for petitioner. In addition, petitioner submitted a notice of reliance upon the file histories of its asserted applications; the file history of application Serial No. 78552461, owned by respondent; certain of petitioner's written discovery requests to respondent; and respondent's responses thereto. During its assigned testimony period, respondent took the testimony deposition of its Chief Financial and Operations Officer, Joel Grossman; and its Marketing Director, Robert

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Larimer. In addition, respondent filed a notice of reliance pursuant to Trademark Rule 2.122(e) upon certain of its written discovery requests to petitioner and petitioner's responses thereto. Respondent also relies upon a copy of the declaration of Daniel M. Maguire which was filed in support of petitioner's motion for summary judgment. However, copies of papers filed in Board proceedings are not "official records" that may be introduced by notice of reliance. *See, for example, Weyerhaeuser Co. v. Katz*, 24 USPQ2d 1230, 1232 (TTAB 1992). *See also generally* TBMP §704.07 (2d ed. rev. 2004) and the authorities cited therein. Furthermore, petitioner did not treat this evidence as being of record. Accordingly, this exhibit is not properly of record and will be given no further consideration.<sup>3</sup>

Petitioner and respondent filed main briefs on the case, and petitioner filed a reply brief.

The parties have designated substantial portions of the record, as well as portions of their briefs on the case, as "confidential." While we will attempt to avoid divulging truly confidential material in our opinion and will refer to it only in general fashion, we will not be hampered in our

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<sup>3</sup> We hasten to add that even if such exhibit were of record, it would not change the result in this case. Evidence substantially similar to that contained therein was submitted by petitioner through testimony and exhibits.

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discussion by the parties' overly broad designation of material as confidential. We note in that regard that by designating as confidential unduly expansive portions of the record and briefs, the parties risk disclosure of certain of those materials in this order. We note in addition that it is the policy of this tribunal that proceedings be public, and parties to Board proceedings may not subvert that policy by overly broad designations of materials submitted therein as confidential. Inasmuch as respondent's brief in particular contains excessive designations of confidential materials, the parties are hereby **ordered** to submit, within thirty days from the mailing date of this decision, redacted copies of their briefs in which only truly confidential materials are so designated.

#### **Findings of Fact**

Petitioner has been in the business of making gift baskets since 1984.<sup>4</sup> Petitioner designs, promotes and delivers gift baskets to wholesale and retail customers. Petitioner creates various themed baskets, including wine themed gift baskets, that may contain gourmet food, cheese plates, wine, wine accessories, wine glasses, wine chillers, cutting boards and/or corkscrews.<sup>5</sup> Petitioner markets such baskets under the trademark HOUDINI, as well as other trademarks including HOUDINI NORTHWEST BASKET and HOUDINI

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<sup>4</sup> Dean Testimony, p. 4-5.

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WALL BASKET. Petitioner initially sold its gift baskets to liquor and wine stores, and has expanded its customer base to include wineries as well as wholesale clubs and retailers, including Pace Wholesale (now Sam's Club), Costco, Cost Plus, Target, Wal-Mart, Bed, Bath & Beyond, and B-J's.<sup>6</sup> Petitioner's wholesale customers then resell the baskets to the general public.<sup>7</sup>

Petitioner markets and promotes its gift baskets at the National Association of Specialty Food Retailers trade show and over the Internet at houdiniinc.com.<sup>8</sup> Petitioner is the second largest gift basket company in the United States, with annual sales of approximately one million baskets generating considerable income.<sup>9</sup>

Respondent has been in the business of providing beverage, bar-ware accessory and house wear products since 1983.<sup>10</sup> In 1997, respondent developed a "lever pull" corkscrew which it first sold in 2000 under the trademark RABBIT.<sup>11</sup> After the success of its RABBIT corkscrew, and in order to compete with cheaper imitation products, respondent introduced the less expensive HOUDINI corkscrew in April

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<sup>5</sup> Dean Testimony, p. 9; Maguire Testimony, p. 11.

<sup>6</sup> Id. at 6-7.

<sup>7</sup> Maguire Testimony, p. 12.

<sup>8</sup> Dean Testimony, p. 17-17, 64; Maguire Testimony, p. 22, Exhibit 24.

<sup>9</sup> Dean Testimony, p. 21-22.

<sup>10</sup> Larimer Testimony, p. 7.

<sup>11</sup> Id.; Grossman Testimony, p. 6.



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2002.<sup>12</sup> Since that time, revenue from sales of respondent's corkscrews under the HOUDINI mark has been considerable, and respondent has experienced substantial increases in sales each year since the introduction thereof. Respondent markets its HOUDINI corkscrews primarily through large national retailers and wine and liquor chains, including Target, Bed, Bath & Beyond, and Beverages & More.<sup>13</sup>

#### **Petitioner's Standing**

In view of the refusal to register petitioner's pleaded applications, copies of which were made of record, based upon a likelihood of confusion with respondent's involved registration, petitioner's standing has been established. See *Lipton Industries, Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 213 USPQ 185 (CCPA 1982); *Cerveceria Modelo S.A. de C.V. v. R.B. Marco & Sons Inc.*, 55 USPQ2d 1298 (TTAB 2000); and *Hartwell Co. v. Shane*, 17 USPQ2d 1569 (TTAB 1990). We note in addition that respondent does not dispute petitioner's standing to bring this proceeding.

#### **Laches**

Prior to our consideration of petitioner's pleaded claim of priority and likelihood of confusion, we must first address respondent's affirmative defense of laches to determine whether petitioner's claim is barred thereby.

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<sup>12</sup> *Id.* at 12, 14; *Id.* at 8.

<sup>13</sup> Petitioner's Notice of Reliance, Exhibit 5.

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It is settled that laches generally is available against a Section 2(d) claim of likelihood of confusion.<sup>14</sup> See *National Cable Television Association Inc. v. American Cinema Editors Inc.*, 973 F.2d 1572, 19 USPQ2d 1424 (Fed. Cir. 1991), in which the defense of laches was considered in connection with a cancellation proceeding brought under Section 2(d); and *Christian Broadcasting Network Inc. v. ABS-CBN International*, 84 USPQ2d 1560 (TTAB 2007) (because defense of laches found to apply, petition to cancel brought under Section 2(d) dismissed).

In order to prevail on the affirmative defense of laches, a defendant must establish that there was undue or unreasonable delay by the plaintiff in asserting its rights, and prejudice to the defendant resulting from the delay. See *Bridgestone/Firestone Research Inc. v. Automobile Club de l'Ouest de la France*, 245 F.3d 1359, 58 USPQ2d 1460, 1462 (Fed. Cir. 2001). "Mere delay in asserting a trademark-related right does not necessarily result in changed conditions sufficient to support the defense of laches. There must also have been some detriment due to the delay." *Id.*, 58 USPQ2d at 1463. With regard to delay, the focus is

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<sup>14</sup> The only exception is when confusion is inevitable, because any injury to the defendant caused by the plaintiff's delay is outweighed by the public's interest in preventing confusion. See *Turner v. Hops Grill & Bar Inc.*, 52 USPQ2d 1310 (TTAB 1999). That is not the situation here, since there are differences in the goods.

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on reasonableness and the Board must consider any excuse offered for the delay. See *A. C. Aukerman Co. v. R. L. Chaides Construction Co.*, 960 F.2d 1020, 22 USPQ2d 1321, 1329 (Fed. Cir. 1992). With regard to prejudice, there must also have been some detriment due to the delay such as evidentiary prejudice or economic prejudice, and respondent must show that its prejudice resulted from the delay. *Id.* The mere passage of time does not constitute laches. See *Aquion Partners L.P. v. Envirogard Products, Ltd.*, 43 USPQ2d 1371, 1373, citing *Advanced Cardiovascular Systems v. SciMed Life Systems*, 988 F.2d 1157, 26 USPQ2d 1038, 1041 (Fed. Cir. 1993).

Respondent asserts that petitioner had notice of its challenged registration since its date of issuance; and that, although the registration for its HOUDINI mark issued on February 11, 2003, petitioner delayed filing its petition to cancel until July 13, 2005. Respondent has submitted evidence that in 2003 it sold considerable numbers of corkscrews under the HOUDINI mark and expended considerable sums of money on advertising therefor.<sup>15</sup> Respondent has further shown that the number of corkscrews sold under the HOUDINI mark essentially doubled in 2004 and again in 2005, and the advertising expenditures therefor during that time period were considerable. Respondent argues that "during

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<sup>15</sup> Grossman testimony, Confidential Exhibit 26.

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the period of Petitioner's delay, Metrokane has successfully established the HOUDINI brand in connection with corkscrews and it is currently one of the most successful premium wine accessory brands in the United States."<sup>16</sup> Respondent further argues that cancellation of its registration "would destroy this significant investment and the goodwill that Metrokane has established in the trademark."<sup>17</sup> Finally, respondent argues that petitioner is silent as to the reason for its delay in bringing this cancellation action.

In its reply brief, petitioner argues that respondent has failed either to assert or introduce any evidence that it "expended monies on advertising its HOUDINI corkscrews because Houdini delayed in seeking cancellation of Metrokane's registration."<sup>18</sup> Petitioner further argues that respondent's advertising expenditures "between the date of issue of its registration and before commencement of this proceeding could not have been in reliance on Houdini's delay in seeking cancellation since Metrokane states that it was not even aware of Houdini, Inc. during this time period."<sup>19</sup>

In this case, we find that petitioner had constructive notice of respondent's challenged registration as of the

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<sup>16</sup> Respondent's brief, p. 43.

<sup>17</sup> *Id.*

<sup>18</sup> Reply brief, p. 10.

<sup>19</sup> *Id.*

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February 11, 2003 date of issuance thereof. See *Teledyne Technologies, Inc. v. Western Skyways, Inc.*, 78 USPQ2d 1203 (TTAB 2006), *aff'd*, *Teledyne Technologies, Inc. v. Western Skyways, Inc.*, 208 Fed. Appx. 886, unpublished Nos. 2006-1336, 2006-1367 (Fed. Cir. December 6, 2006). There is nothing in the record to indicate that petitioner had actual notice of the registration or respondent's use of its HOUDINI mark prior to this date. Nor does respondent so allege. Thus, the length of petitioner's delay in filing the petition to cancel is just under two and one half years.

Because petitioner offers no explanation for its delay in bringing the instant cancellation action, we are precluded from finding that petitioner has a reasonable excuse therefor. Nonetheless, we do not find that the delay of two and one half years is of such length per se as to compel a finding that petitioner unduly delayed in seeking cancellation of respondent's trademark registration. Cf. *Bridgeston/Firestone, supra*, at 1362 (the passing of twenty-seven years after registration, combined with the absence of a reasonable excuse for petitioner's inaction held to constitute undue delay). In that regard, the fact that the Trademark Act provides for cancellation of a registration under Section 2(d) until such registration is five years old suggests that petitioner's delay of two and one half years,

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i.e., half of the time provided by statute therefor, is not per se unreasonable.

With regard to prejudice, respondent asserts economic detriment and has submitted evidence regarding the increases in its sales and advertising expenditures during the period of the inaction.<sup>20</sup> However, respondent has not demonstrated that it expended such effort and funds promoting and advertising its goods under the HOUDINI mark as a result of petitioner's inaction. In other words, respondent has neither asserted nor introduced evidence that it changed its position to its detriment regarding advertising and promoting its HOUDINI corkscrews in reliance upon petitioner's delay. See *Fishking Processors, Inc. v. Fisher King Seafoods, Ltd.*, 83 USPQ2d 1762, 1766 (TTAB 2007). Cf. *Hemstreet v. Computer Entry Systems Corp.*, 972 F.2d 1290, 23 USPQ2d 1860, 1863 (Fed. Cir. 1992) (a nexus must be shown between the patentee's delay in filing suit and the expenditures; the alleged infringer must change his position "because of and as a result of the delay.") Indeed, respondent's own marketing director has testified that respondent had not heard of petitioner prior to institution of this cancellation action. As such, while respondent's evidence suggests that it has enjoyed a substantial measure

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<sup>20</sup> Respondent does not assert any evidentiary prejudice due the passing of time, such as loss of documents, or the unavailability or fading memory of witnesses, etc.

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of success with the corkscrews marketed under its HOUDINI mark and that it has incurred corresponding expenses in advertising the same, such evidence does not support its claim of detriment resulting from petitioner's relatively brief delay in bringing this proceeding. As a result, respondent has failed to demonstrate a nexus between petitioner's delay in filing its petition for cancellation and respondent's financial expenditures to advertise and market its corkscrews under its HOUDINI mark.

Accordingly, we find that respondent's affirmative defense fails for lack of proof.

We turn now to petitioner's pleaded grounds.

#### **Priority of Use**

To establish priority on a likelihood of confusion claim brought under Trademark Act §2(d), a party must prove that, vis-à-vis the other party, it owns "a mark or trade name previously used in the United States ... and not abandoned..." Trademark Act Section 2, 15.U.S.C. §1052. A party may establish its own prior proprietary rights in a mark through ownership of a prior registration, actual use or through use analogous to trademark use, such as use in advertising brochures, trade publications, catalogues, newspaper advertisements and Internet websites which create a public awareness of the designation as a trademark identifying the party as a source. See Trademark Act §§2(d)

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and 45, 15 U.S.C. §§1052(d) and 1127. See also *T.A.B. Systems v. PacTel Teletrac*, 77 F.3d 1372, 37 USPQ2d 1879 (Fed. Cir. 1996), vacating *Pactel Teletrac v. T.A.B. Systems*, 32 USPQ2d 1668 (TTAB 1994).

It is well settled that in the absence of any evidence of earlier use, the earliest date upon which a respondent may rely is the filing date of its underlying application. See Trademark Act Section 7(c), 15 U.S.C. §1057(c). See also *Larami Corp. v. Talk to Me Programs, Inc.*, 36 USPQ2d 1840 (TTAB 1995). In this case, and as noted above, the application that matured into the registration at issue herein was accorded a filing date of August 29, 2001. Inasmuch as respondent has neither alleged nor introduced any evidence to support a finding that it made earlier use of its mark, we find that August 29, 2001 is the earliest date upon which respondent is entitled to rely for purposes of priority.

Inasmuch as petitioner has not pleaded ownership of any registered trademark, and further because its pleaded applications were filed subsequent to the filing date of the application that matured into respondent's registration, petitioner must rely on its common law use of HOUDINI, as well as HOUDINI NORTHWEST BASKET and HOUDINI WALL BASKET, as trademarks to prove priority. In order for a plaintiff to prevail on a claim of likelihood of confusion based on its



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ownership of common law rights in a mark, the mark must be distinctive, inherently or otherwise, and plaintiff must show priority of use. *See Otto Roth & Co. v. Universal Foods Corp.*, 640 F.2d 1317, 209 USPQ 40 (CCPA 1981). Respondent has not questioned the distinctiveness of petitioner's HOUDINI, HOUDINI NORTHWEST BASKET, or HOUDINI WALL BASKET marks; nor are there any other circumstances in the case which would have put petitioner on notice of this defense. As such, and particularly because respondent seeks to register HOUDINI as a mark without benefit of Section 2(f), we find that petitioner's marks are inherently distinctive. *See The Chicago Corp. v. North American Chicago Corp.*, 20 USPQ2d 1715 (TTAB 1991). *See also Wetseal Inc. v. FD Management Inc.*, 82 USPQ2d 1629 (TTAB 2007). Thus, in order to establish priority, petitioner must show that it made common law use of its HOUDINI, HOUDINI NORHTWEST BASKET and/or HOUDINI WALL BASKET mark prior to August 29, 2001. In a case involving common law rights, "the decision as to priority is made in accordance with the preponderance of the evidence." *Hydro-Dynamics Inc. v. George Putnam & Company Inc.*, 811 F.2d 1470, 1 USPQ2d 1772, 1773 (Fed. Cir. 1987).

In support of its claim of priority, petitioner's president and founder, Timothy J. Dean, testified that since 1984 petitioner has used HOUDINI on and in connection with

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gift baskets that include, *inter alia*, wine, cheese, crackers, cutting boards, gourmet foods, chocolates, wine glasses, wine accessories, corkscrews and cheese plates.<sup>21</sup>

Mr. Dean further testified that petitioner's use of HOUDINI on gift baskets includes the following:

In 1984, it would have been a sales sticker on the back saying 'Prepared by Houdini and Company.'<sup>22</sup>

We produce sales sheets and present gift baskets to our company and they're all under the Houdini mark. All our gifts are labeled Houdini.<sup>23</sup>

Q. Do the baskets - are the baskets identified in any way as coming from Houdini?

A. At the retail level?

Q. Yes.

A. All of them have marks of Houdini on them. When they're, say, in a run of gift baskets at the store level, they'll be signs above them saying Houdini gift packs and describing what's in them with a price on them.

Q. Have you ever been to a store where you saw the sign that said Houdini?

A. Sure. Yes.

Q. Give an example.

A. I do store tours all the time, go into Sam's or Costco. You walk down the - they call them runs where they have the price above the items, they'll say Houdini. They describe who the vendor is and then they describe the item. And then they have the price of the item on the signage.<sup>24</sup>

In addition, Mr. Dean testified that the labels bearing petitioner's HOUDINI mark were "placed in a prominent position, usually somewhere on the basket where the

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<sup>21</sup> Dean Testimony, p. 4-10.

<sup>22</sup> *Id.* at 6.

<sup>23</sup> *Id.* at 10.

<sup>24</sup> *Id.*

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customers could see it."<sup>25</sup> Petitioner has introduced as an exhibit to Mr. Dean's testimony printed copies of labels placed on petitioner's gift baskets, identifying the type of basket, e.g., "Fetzer Two-Bottle Wine Basket," Holiday Box of Treats," Tuscan Basket," etc.<sup>26</sup> Two of the submitted labels contain the word "Houdini" as part of their title, namely, "HOUDINI NORTHWEST BASKET" and "HOUDINI WALL BASKET."<sup>27</sup> Mr. Dean testified that the submitted labels were in use in 2000.<sup>28</sup>

Based upon the testimony of petitioner's president, and the documentary evidence in the form of labels from 2000 affixed to petitioner's gift baskets, we find that petitioner has proven by a preponderance of the evidence that it made use of the HOUDINI mark, as well as the HOUDINI NORTHWEST BASKET and HOUDINI WALL BASKET marks, on or in connection with such gift baskets prior to respondent's constructive date of first use.<sup>29</sup> Accordingly we find that petitioner has proven its claim of priority.

<sup>25</sup> Dean Testimony, p. 22-23.

<sup>26</sup> Dean Testimony, p. 22-24, Exhibit 16.

<sup>27</sup> *Id.*

<sup>28</sup> *Id.* at 23. Petitioner introduced additional examples of use of HOUDINI as a mark, including labels for use with various baskets, all of which prominently display HOUDINI along with the name and contents thereof, and the notation "Packed by Houdini Inc. Fullerton CA 92835; and screen shots from its Internet website displaying HOUDINI in connection with various gift baskets. However, these examples of use of the HOUDINI mark were subsequent to respondent's constructive first use date, and as such they do not support petitioner's claim of priority.

<sup>29</sup> Inasmuch as petitioner has proven prior use of HOUDINI and HOUDINI-formative marks as trademarks, we need not consider

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Respondent argues that petitioner's testimony does not support petitioner's claim of priority because it is self-serving, and fails to demonstrate that petitioner uses HOUDINI as a mark in connection with any goods, but rather "establishes that Petitioner provides gift basket design services..."<sup>30</sup> However, "[o]ral testimony, if sufficiently probative, is normally satisfactory to establish priority of use in a trademark proceeding." *Powermatics, Inc. v. Globe Roofing Products Co.*, 341 F.2d 127, 144 USPQ 430, 432 (CCPA 1965). See also *National Bank Book Co. v. Leather Crafted Products, Inc.*, 218 USPQ 826, 828 (TTAB 1993) (oral testimony may be sufficient to prove the first use of a party's mark when it is based on personal knowledge, it is clear and convincing, and it has not been contradicted); *Liqwacon Corp. v. Browning-Ferris Industries, Inc.*, 203 USPQ 305, 316 (TTAB 1979) (oral testimony may be sufficient to establish both prior use and continuous use when the testimony is proffered by a witness with knowledge of the facts and the testimony is clear, convincing, consistent, and sufficiently circumstantial to convince the Board of its probative value); *GAF Corp. v. Anatox Analytical Services, Inc.*, 192 USPQ 576, 577 (TTAB 1976) (oral testimony may establish prior use when the testimony is clear, consistent,

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whether petitioner has made prior use of HOUDINI as a trade name or prior use that is analogous to trademark use.

<sup>30</sup> Brief, p. 21.

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convincing, and uncontradicted). While the only documentary evidence supporting the testimony regarding petitioner's prior use of HOUDINI as a trademark is a set of labels from 2000, the testimony of its president was clear, convincing, consistent and sufficiently circumstantial to persuade us of its probative value.

#### Likelihood of Confusion

Our likelihood of confusion determination under Section 2(d) is based on an analysis of all of the facts in evidence that are relevant to the factors bearing on the likelihood of confusion issue. *See In re E. I. du Pont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563 (CCPA 1973). *See also Palm Bay Imports, Inc. v. Veuve Clicquot Ponsardin Maison Fondee En 1772*, 396 F.3d 1369, 73 USPQ2d 1689 (Fed. Cir. 2005); *In re Majestic Distilling Company, Inc.*, 315 F.3d 1311, 65 USPQ2d 1201 (Fed. Cir. 2003); and *In re Dixie Restaurants Inc.*, 105 F.3d 1405, 41 USPQ2d 1531 (Fed. Cir. 1997). We will concentrate our discussion of the issue of likelihood of confusion on that mark of petitioner's which is closest to the mark in the challenged registration, namely, petitioner's HOUDINI mark.

#### The Marks

We turn to the first *du Pont* factor, i.e., whether respondent's and petitioner's marks are similar or dissimilar when viewed in their entirety in terms of

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appearance, sound, connotation and overall commercial impression. See *Palm Bay Imports, Inc. v. Veuve Clicquot*, supra. The test, under the first *du Pont* factor, is not whether the marks can be distinguished when subjected to a side-by-side comparison, but rather whether the marks are sufficiently similar in terms of their overall commercial impression that confusion as to the source of the goods and/or services offered under the respective marks is likely to result.

As noted, petitioner has proven by credible testimony that it has made prior common law use of HOUDINI as a trademark. Such mark is identical to respondent's HOUDINI mark in every respect.

Furthermore, there is no evidence of record of third-party use of HOUDINI for related, or even unrelated, goods or services. Nor is there evidence that HOUDINI is suggestive of petitioner's goods. As such, we find no evidence that HOUDINI is a weak mark or that it should be afforded only a narrow scope of protection. On the contrary, HOUDINI appears to be a strong, if not arbitrary, mark as applied to petitioner's goods.

In short, we find that respondent's mark is identical to petitioner's HOUDINI mark. This *du Pont* factor heavily favors petitioner.

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The Goods

With respect to the goods, it is well-established that the goods or services of the parties need not be similar or competitive, or even offered through the same channels of trade, to support a holding of likelihood of confusion. It is sufficient that the respective goods or services of the parties are related in some manner, and/or that the conditions and activities surrounding the marketing of the goods or services are such that they would or could be encountered by the same persons under circumstances that could, because of the similarity of the marks, give rise to the mistaken belief that they originate from the same source. See *Hilson Research, Inc. v. Society for Human Resource Management*, 27 USPQ2d 1423 (TTAB 1993); and *In re International Telephone & Telegraph Corp.*, 197 USPQ 910, 911 (TTAB 1978). The issue, of course, is not whether purchasers would confuse the goods or services, but rather whether there is a likelihood of confusion as to the source thereof. *In re Rexel Inc.*, 223 USPQ 830 (TTAB 1984).

As identified in its registration, respondent's goods are corkscrews. Petitioner has introduced testimony and evidence that it uses the identical HOUDINI mark on gift baskets, including wine-themed gift baskets that contain corkscrews, as well as wine glasses, cheese boards, wine coolers and, of course, wine. Thus, respondent's goods are

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included among the type of goods that petitioner places in its wine-themed gift baskets. Petitioner has introduced further evidence in the form of photographs of its gift baskets<sup>31</sup> showing that the contents thereof are arranged in such a manner as to be clearly visible to prospective purchasers. As such, a purchaser of petitioner's wine-themed gift baskets sold under its HOUDINI mark would see the corkscrews contained therein. Because corkscrews are a significant component of the gift baskets, the relatedness of corkscrews and gift baskets containing corkscrews is obvious. Consumers of gift baskets, upon encountering respondent's corkscrews sold under the identical mark, would be likely to mistakenly assume a common source or sponsorship.

We note that respondent's corkscrews are "lever pull" corkscrews and that petitioner's gift baskets contain smaller sommelier-type corkscrews. However, in making our determination regarding the relatedness of the parties' goods, we must look to the goods as identified in the involved registration. See *Octocom Systems, Inc. v. Houston Computers Services Inc.*, 918 F.2d 937, 16 USPQ2d 1783, 1787 (Fed. Cir. 1990). Inasmuch as respondent's goods are identified as corkscrews without any limitation as to type, they must be presumed to include all types of corkscrews,

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<sup>31</sup> Dean Testimony, Exhibit 20.



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including the sommelier corkscrews contained in petitioner's gift baskets.

In view of the related nature of the parties' goods, this *du Pont* factor also favors petitioner.

Channels of Trade

Respondent argues that its goods move in different channels of trade from those in which petitioner's gift baskets are encountered. However, the testimony and evidence adduced at trial demonstrates that petitioner markets its gift baskets to liquor and wine stores, wineries and wholesale clubs and retail stores, including Sam's Club, Costco, Cost Plus, Target, Wal-Mart, Bed, Bath & Beyond, and B-J's.<sup>32</sup> Respondent markets its corkscrews primarily through large national retail and wine and liquor chains, including Target, Bed, Bath & Beyond, and Beverages & More.<sup>33</sup> Thus, from the testimony and evidence at trial, it is clear that not only do the parties market their goods through channels of trade that are identical in part, i.e., wine and liquor stores and national chains, but that they in fact market their goods to some of the same stores, including Target and Bed, Bath & Beyond.

As a result, this *du Pont* factor also favors petitioner.

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<sup>32</sup> *Id.* at 6-7.

<sup>33</sup> Petitioner's Notice of Reliance, Exhibit 5.

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Conditions of Sale

The next *du Pont* factor discussed by the parties is that of the conditions of sale. Respondent asserts that petitioner's gift baskets are marketed to wholesalers who resell its baskets to retail consumers; and that such wholesalers are careful and sophisticated users. However, the ultimate purchasers of petitioner's gift baskets, as resold by wholesalers, retail stores, and wine and liquor stores, are the general public, who may not be particularly discriminating purchasers. Indeed, for the general consumer, gift baskets containing corkscrews and corkscrews per se might well be the subject of impulse purchases made without a great deal of deliberation. In addition, even if some degree of care were exhibited in making the purchasing decision, petitioner's HOUDINI mark is identical to that of respondent so that even careful purchasers are likely to assume that the marks identify goods emanating from a single source. As a result, we find this *du Pont* factor also to favor petitioner.

Actual Confusion

The final *du Pont* factor discussed by the parties is the lack of instances of actual confusion despite over five years of use by the parties of their respective marks. Respondent asserts that the absence of actual confusion suggests no likelihood of confusion. However, it is not

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necessary to show actual confusion in order to establish likelihood of confusion. See *Weiss Associates Inc. v. HRL Associates Inc.* 902 F.2d 1546, 223 USPQ 1025 (Fed. Cir. 1990). Thus, while evidence of actual confusion strongly supports a finding of likelihood of confusion, the absence thereof does not require a finding of no likelihood of confusion. See *In re Majestic Distilling Company, Inc.*, 315 F.3d 1311, 65 USPQ2d 1201, 1205 (Fed. Cir. 2003) ("The lack of evidence of actual confusion carries little weight.")

Accordingly, this *du Pont* factor must be considered to be neutral or to favor respondent only slightly.

#### Conclusion

We have carefully considered all of the testimony and evidence pertaining to priority of use and the relevant *du Pont* factors, as well as all of the parties' arguments with respect thereto, including any evidence and arguments not specifically discussed in this opinion.

We conclude that petitioner has established priority of use and that consumers familiar with petitioner's goods under its common law HOUDINI mark would be likely to believe, upon encountering respondent's HOUDINI mark for its corkscrews, that the parties' goods originate with or are associated with or sponsored by the same entity. In making our determination, we have balanced the relevant *du Pont* factors. The factors of the identity of the marks and the

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relatedness of the goods weigh strongly in petitioner's favor.

DECISION: The petition to cancel is granted, and Registration No. 2687530 will be cancelled in due course.

# EXHIBIT B

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13 UNITED STATES DISTRICT COURT  
14 CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION  
15

16 HOUDINI, INC.,

17 Plaintiff,

18 v.

19 METROKANE CORPORATION,

20 Defendant.  
21

Case No. CV 08-03076 PA (FMOx)

**ANSWER TO COMPLAINT AND  
AFFIRMATIVE DEFENSES;  
DEMAND FOR JURY TRIAL**

The Hon. Percy Anderson  
Cttrm.: 15

[Complaint Filed: May 9, 2008]

22 Defendant Metrokane Inc. ("Metrokane"), a New York corporation  
23 with its principal place of business in New York, New York, by way of Answer to  
24 the Complaint of Plaintiff Houdini, Inc. ("Plaintiff"), says:  
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EXHIBIT *B*  
PAGE *36*

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**AS TO THE PRELIMINARY ALLEGATIONS**

1  
2 1. Metrokane makes no response to the allegations of Paragraph 1,  
3 as they state a legal conclusion and not facts. To the extent that a response is  
4 required to said allegations, they are denied.

5 2. Metrokane makes no response to the allegations of Paragraph 2,  
6 as they state a legal conclusion and not facts. To the extent that a response is  
7 required to said allegations, they are denied except to admit that Metrokane transacts  
8 business in this judicial district.

9 3. Metrokane lacks knowledge or information sufficient to form a  
10 belief as to the truth of the allegations of Paragraph 3.

11 4. Metrokane admits the allegations of Paragraph 4.

12 5. Metrokane lacks knowledge or information sufficient to form a  
13 belief as to the truth of the allegations of Paragraph 5.

14 6. Metrokane lacks knowledge or information sufficient to form a  
15 belief as to the truth of the allegations of Paragraph 6.

16 6. [Duplicate in Complaint]. Metrokane lacks knowledge or  
17 information sufficient to form a belief as to the truth of the allegations of Paragraph  
18 6 [duplicate].

19 7. Metrokane lacks knowledge or information sufficient to form a  
20 belief as to the truth of the allegations of Paragraph 7.

21 8. Metrokane lacks knowledge or information sufficient to form a  
22 belief as to the truth of the allegations of Paragraph 8.

23 9. Metrokane denies that Plaintiff has created or retained any  
24 goodwill or reputation with respect to corkscrews or other wine accessories, and  
25 lacks knowledge or information sufficient to form a belief as to the truth of the  
26 remaining allegations of Paragraph 9.

1           10. Metrokane admits that it has been in the business of providing  
2 various beverage, barware and kitchen products since 1983 and wine accessories  
3 since 1996.

4           11. Metrokane admits that its Houdini brand corkscrew was first  
5 introduced into the market in or about 2002, admits that it sells its Houdini brand  
6 corkscrew through major national retailers such as Target, Linens 'N Things and  
7 Kohl's, and through national wine and liquor chain stores, but denies the remaining  
8 allegations of Paragraph 11.

9           12. Metrokane denies the allegations of Paragraph 12 and states that  
10 it has been selling its Houdini brand corkscrew since at least 2002 and has been  
11 selling other wine accessories under the Houdini trademark since at least 2003.

12           13. Metrokane admits the allegations of Paragraph 13.

13           14. Metrokane admits that it exchanged correspondence with  
14 Plaintiff concerning use of the Houdini mark in or around 2004-2005, admits that  
15 Plaintiff failed to seek any relief from the district court at that time arising from said  
16 allegations of infringement, and admits that the parties co-existed from that time  
17 forward with no evidence of actual confusion by consumers in Metrokane's use of  
18 the Houdini® mark and Plaintiff's use of its trade name and no evidence that either  
19 party sustained any damages as a result thereof.

20           15. Metrokane admits that a Petition to Cancel U.S. Registration No.  
21 2,687,530 was filed on or about July 13, 2005, admits that the Trademark Trial and  
22 Appeal Board issued a decision regarding said Petition on or about May 1, 2008 (the  
23 "Decision"), admits that the Decision was not properly based upon the law or  
24 evidence submitted by the parties and was contrary to existing trademark law, and  
25 admits that said Decision is attached to the Complaint as Exhibit A. However,  
26 Metrokane denies the remaining allegations of Paragraph 15 and refers to the  
27 Decision for its actual contents and the legal significance thereof.



1           16. Metrokane repeats and makes a part hereof its responses to the  
2 allegations of Paragraphs 10 and 12 of the Complaint. Additionally, Metrokane  
3 denies that it needs either consent or authorization from Plaintiff to use its well-  
4 known Houdini trademark in connection with corkscrews, barware and wine  
5 accessories.

6                           **AS TO THE FIRST CLAIM FOR RELIEF**

7           17. Metrokane repeats and makes a part hereof its responses to  
8 Paragraphs 1-16 of the Complaint.

9           18. Metrokane denies the allegations of Paragraph 18.

10          19. Metrokane denies the allegations of Paragraph 19.

11          20. Metrokane denies the allegations of Paragraph 20.

12          21. Metrokane denies the allegations of Paragraph 21.

13          22. Metrokane denies the allegations of Paragraph 22.

14          23. Metrokane denies the allegations of Paragraph 23.

15          24. Metrokane denies the allegations of Paragraph 24.

16          25. Metrokane denies the allegations of Paragraph 25.

17                           **AS TO THE SECOND CLAIM FOR RELIEF**

18          26. Metrokane repeats and makes a part hereof its responses to  
19 Paragraphs 1-25 of the Complaint.

20          27. Metrokane denies the allegations of Paragraph 27.

21          28. Metrokane denies the allegations of Paragraph 28.

22          29. Metrokane denies the allegations of Paragraph 29.

23                           **FIRST AFFIRMATIVE DEFENSE**

24          30. The Complaint fails to state a claim against Metrokane upon  
25 which relief can be granted.

26                           **SECOND AFFIRMATIVE DEFENSE**

27          31. The Complaint must be dismissed because it was filed  
28 prematurely and interferes with Metrokane's rights under 15 U.S.C. § 1071(b)(1),

1 (4) to seek a forum in which to appeal and/or review the decision of the Trademark  
2 Trial and Appeal Board, dated May 1, 2008, canceling U.S. Registration No.  
3 2,687,530.

4 **THIRD AFFIRMATIVE DEFENSE**

5 32. The Complaint must be dismissed because the Court lacks  
6 personal jurisdiction over Metrokane.

7 **FOURTH AFFIRMATIVE DEFENSE**

8 33. The Complaint must be dismissed because venue of this action is  
9 not proper in this judicial district.

10 **FIFTH AFFIRMATIVE DEFENSE**

11 34. The Complaint must be dismissed and/or the relief sought denied  
12 by reason of Plaintiff's unreasonable delay in filing this action and asserting its  
13 purported claim for trademark infringement and other relief.

14 **SIXTH AFFIRMATIVE DEFENSE**

15 35. The Complaint must be dismissed because Plaintiff has not used  
16 the "Houdini" mark in connection with corkscrews, barware and wine accessories;  
17 rather, Plaintiff has used the mark solely in connection with its gift packaging  
18 services. That service combines into a basket various food and beverage products  
19 bearing the marks of other companies or bearing no brand at all.

20 **SEVENTH AFFIRMATIVE DEFENSE**

21 36. The Complaint must be dismissed because Plaintiff has not used  
22 its mark in connection with corkscrews, barware or wine accessories; rather,  
23 Plaintiff has used the mark solely in connection with its trade name.

24 **EIGHTH AFFIRMATIVE DEFENSE**

25 37. The Complaint must be dismissed because Plaintiff possesses  
26 neither common law nor statutory trademark rights in the phrase "Houdini," as used  
27 in connection with corkscrews, barware or wine accessories.

**NINTH AFFIRMATIVE DEFENSE**

38. The Complaint must be dismissed because Plaintiff has not suffered any damages as a result of the alleged infringement recited in the Complaint.

**TENTH AFFIRMATIVE DEFENSE**

39. The Complaint must be dismissed because there is no likelihood of confusion by consumers of Metrokane's corkscrews, barware or wine accessories with consumers of Plaintiff's assembled gift baskets that lack any brand identification on or in connection with any corkscrew, barware or wine accessory products.

**ELEVENTH AFFIRMATIVE DEFENSE**

40. The Complaint must be dismissed because Plaintiff has consented and acquiesced to Metrokane's use of the Houdini trademark on corkscrews, barware and wine accessories.

**TWELFTH AFFIRMATIVE DEFENSE**

41. The Complaint must be dismissed because Metrokane has priority of use over Plaintiff with respect to the mark Houdini, as used in connection with corkscrews, barware and wine accessories.

**THIRTEENTH AFFIRMATIVE DEFENSE**

42. The Complaint must be dismissed because Metrokane has not committed, and is not now committing, infringement of an unregistered trademark, common law unfair competition, or any other act that would give rise to any liability to Plaintiff.

WHEREFORE, Defendant Metrokane Inc. demands that judgment be entered in its favor dismissing the Complaint with prejudice, together with costs of

1 suit, attorney's fees and such other and further relief as the Court deems just and  
2 equitable.

3  
4 Dated: June 25, 2008

5 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

6  
7 By /s/ Darren M. Franklin

8 DARREN M. FRANKLIN

9 Attorneys for Defendant  
10 METROKANE INC.  
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**DEMAND FOR JURY TRIAL**

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, Defendant Metrokane Inc. hereby demands trial by jury of all issues triable as a matter of right to a jury.

Dated: June 25, 2008

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

By /s/ Darren M. Franklin

DARREN M. FRANKLIN

Attorneys for Defendant  
METROKANE INC.

# EXHIBIT C

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10 Houdini, Inc.

11 UNITED STATES DISTRICT COURT  
12 CENTRAL DISTRICT OF CALIFORNIA

13 HOUDINI, INC.,

14 Plaintiff,

15 vs.

16 METROKANE CORPORATION,

17 Defendant.

Case No. CV08-0376 PA (FMOx)

**PLAINTIFF'S MEMORANDUM  
OF POINTS AND AUTHORITIES  
IN SUPPORT OF ITS MOTION  
FOR A PRELIMINARY  
INJUNCTION**

**DATE: July 28, 2008**  
**TIME: 1:30 p.m.**  
**CTRM: 15**

**Hon. Percy Anderson**

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1       **I. INTRODUCTION.**

2           The immediate injunctive relief which Plaintiff Houdini, Inc. ("Houdini")  
3 requests is essential to protect Plaintiff's identity and to protect the public from  
4 confusion caused by Defendant's expanding use of Plaintiff's house mark  
5 HOUDINI.

6           Houdini has used HOUDINI as a trade name continuously since its  
7 formation as a sole proprietorship in 1984 and then as its corporate name. Since  
8 its formation, Houdini has been in the business of distributing gift baskets, many  
9 of which include wine and wine accessories such as corkscrews, wine glasses,  
10 and wine bottle foil cutters. Houdini's gift baskets are sold at large warehouse  
11 stores such as Costco and Sam's Club and retailers such as Target and Bed Bath  
12 & Beyond, as well as at liquor stores such as Beverages & More.

13           Houdini uses its Houdini name on all of its invoices, promotional literature,  
14 web site, signage, and on labels attached to each of its gift baskets. Retailers such  
15 as Costco identify their display of Houdini's products by name -- HOUDINI gift  
16 baskets. Further, the name of some of Houdini's gift baskets as shown on labels  
17 prominently attached to the basket include the HOUDINI mark such as  
18 HOUDINI CONTINENTAL COLLECTION and HOUDINI BOTTLE PICNIC  
19 BASKET.

20           Houdini is presently the second largest distributor of gift baskets in the  
21 country. Houdini's products are of a very high quality and as a result, repeat  
22 customers, both on the wholesale and retail level, are the norm. Indeed,  
23 consumers who have purchased Houdini's products at retail commonly contact  
24 Houdini directly in subsequent years for their holiday gifts.

25           In 2002, Metrokane introduced a corkscrew under the trademark  
26 HOUDINI. Metrokane distributes its products in retail stores such as Target and  
27 Bed Bath & Beyond and at liquor stores such as Beverages & More. Metrokane  
28 has more recently expanded its use of the HOUDINI trademark to other wine

1 accessories including wine glasses and wine bottle foil cutters.

2 Several factual issues are clear:

3 1. Houdini has priority of use of HOUDINI as a trade name and  
4 trademark;

5 2. Houdini has used HOUDINI in connection with the sale of gift  
6 baskets which include wine, corkscrews, wine glasses and wine bottle foil cutters  
7 whereas Metrokane uses HOUDINI in connection with the sale of corkscrews,  
8 wine glasses and wine foil cutters; and

9 3. Both the trade and consumers recognize HOUDINI as a designation  
10 of the source of Houdini's products.

11 Plainly, use of the identical term HOUDINI by Houdini and Metrokane to  
12 designate products which are related and/or complementary is likely to cause  
13 confusion or mistake as to the source or affiliation of Metrokane's product -- that  
14 is, it is likely that a consumer in a store such as Target, Bed Bath & Beyond, or  
15 Beverages & More who sees a HOUDINI gift basket containing bottles of wine  
16 and wine accessories and then a HOUDINI corkscrew or HOUDINI wine glasses  
17 will be mistaken that the products emanate from the same source. This confusion  
18 will irreparably harm Houdini because it will have lost control over the mark by  
19 which it is known to the public and the goodwill attached thereto. The need for  
20 immediate injunctive relief to prevent extensive, irreparable harm is clear.

21 **II. FACTS.<sup>1</sup>**

22 Houdini was founded as a sole proprietorship in 1984 and was incorporated

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23 <sup>1</sup> The facts are supported by the declaration of Edward R. Schwartz ("Schwartz  
24 Decl.") to which is attached the testimony of Timothy Dean ("Dean"), Daniel M.  
25 Maguire ("Maguire"), Joseph Wechsler ("Wechsler"), and Stacy-Ann Goodwin  
26 ("Goodwin") from the cancellation proceeding between Houdini and Metrokane  
27 in the United States Patent and Trademark Office ("PTO") as well as by exhibits  
28 and Metrokane's responses to interrogatories from that proceeding. References to  
testimony will identify the witness and the page from the witness's transcript, e.g.,  
Dean p. 1.

1 in 1989. (Schwartz Decl., Exh. A; Dean p. 4) Houdini started by making gift  
2 baskets for wine shops and liquor stores. Its gift baskets often contained wine,  
3 wine accessories, wine glasses, or corkscrews. (*Id.*, Dean pp. 4-5)

4 Since commencement of the company in 1984, Plaintiff has used its  
5 company name HOUDINI on all correspondence and sales sheets. In fact,  
6 according to Houdini's founder, the HOUDINI name was used "for any business  
7 dealings we had." (*Id.*, Dean p. 5) Each of Houdini's gift baskets have a sticker  
8 applied on the gift basket stating "Prepared by Houdini and Company." (*Id.*,  
9 Dean pp. 5-6)

10 Houdini's initial customers were liquor stores and wine shops and Houdini  
11 then expanded to wholesale clubs and large retailers. (*Id.*, Dean p.7) In 1988,  
12 Houdini obtained its first large customer, Pace Wholesale, which was  
13 subsequently purchased by Sam's Club (Wal-Mart). Houdini's business kept  
14 growing and Price Club became a customer in 1989. Major companies such as  
15 Costco, Cost Plus, Beverages & More, Target, Wal-Mart, Bed, Bath & Beyond  
16 subsequently became customers for Houdini's gift baskets. (*Id.*, Dean p. 6)  
17 These wholesale customers resell the baskets to the general public -- to people  
18 who buy gifts. (Schwartz Decl., Exh. B, Maguire p. 12) Today, Houdini's  
19 biggest customers are Sam's Club, Costco, and B-J's. Houdini also sells to  
20 wineries which then resell Houdini's wine gift baskets. (Schwartz Decl., Exh. A,  
21 Dean p. 7-8) Houdini still sells to individual liquor stores. (Schwartz Decl., Exh.  
22 B, Maguire p. 12)

23 Houdini's business is designing, promoting and delivering gift baskets to  
24 wholesale customers such as Costco and Sam's Club and to retailers such as  
25 Albertson's, Smart & Final, Pier One, and Cost Plus. (*Id.*, Maguire p. 5) Houdini  
26 decides what assortment of products go into its gift baskets -- gourmet foods,  
27 chocolates, wine accessories, cheese accessories, or spa items. (Schwartz Decl.,  
28 Exh. A, Dean p. 8) Such products commonly include gourmet foods, cheese

1 plates, corkscrews, wine chillers, wine glasses, champagne glasses, cutting boards  
2 or wine charms. (*Id.*, Dean p. 9; Schwartz Decl., Exh. B, Maguire p. 11) A cost  
3 sheet is created when a basket is first designed and then will be given to a  
4 wholesale customer. (*Id.*, Maguire p. 19)

5 Houdini uses HOUDINI on everything the company does -- on sales sheets  
6 presented to wholesale customers, on labels attached to gift baskets, on all  
7 correspondence, and on signage. Houdini's operators answers the phone  
8 "HOUDINI." (Schwartz Decl., Exh. A, Dean p. 10)

9 Consumers who buy or receive Houdini's gift baskets know that Houdini is  
10 the source because all of Houdini's gift baskets bear a label which states "Packed  
11 by Houdini, Inc." (*Id.*, Dean p. 13, Schwartz Decl., Exh. G, Schwartz Decl., Exh.  
12 B, Maguire p. 17, 20-21; See specimen labels attached to Schwartz Decl., Exhs. I,  
13 J) In addition, Houdini's gift baskets often have HOUDINI in the name of the  
14 basket although the individual products within the baskets are not marked  
15 HOUDINI. These gift basket names include HOUDINI Continental Collection,  
16 HOUDINI Celebration, HOUDINI Bottle Picnic Basket, HOUDINI Antinori  
17 "Santa Cristina" Gift Basket, HOUDINI Grand Celebration Basket, HOUDINI  
18 Beringer 3 Pk, HOUDINI Italian Bowl Gift Set, and HOUDINI Lancaster Gift  
19 Basket. These labels are placed prominently on the baskets so that customers can  
20 see them. (Schwartz Decl., Exh. A, Dean pp. 14, 22-25,; Schwartz Decl., Exh. B,  
21 Maguire pp. 15-16, 44.) Further, large customers such as Sam's Club or Costco  
22 commonly have point of sale markers above Houdini's gift baskets saying  
23 "HOUDINI" gift baskets. (Schwartz Decl., Exh. A, Dean pp. 10-11; 64;  
24 Schwartz Decl., Exh. B, Maguire p. 13) In Costco, Houdini's wine baskets are  
25 sold in the wine section. These baskets commonly contain accessories include  
26 corkscrews, cutting boards, and wine glasses. (Schwartz Decl., Exh. A, Dean pp.  
27 11-12)

28 Houdini markets its gift baskets at the National Association of Specialty



1 Food Retailers trade show. Products sold or promoted at the show include  
2 gourmet foods, wines, baskets, and wine accessories including corkscrews, wine  
3 charms, and wine glasses. (*Id.*, Dean pp. 14-15) Houdini also promotes its gift  
4 baskets over the Internet at houdiniinc.com. (*Id.*, Dean pp. 16-17; Schwartz  
5 Decl., Exh. B, Maguire p. 22, Schwartz Decl., Exh. F)

6 Houdini is the second largest gift basket company in the United States with  
7 annual sales of approximately 1 million baskets. (Schwartz Decl., Exh. A, Dean  
8 pp. 21-22) Houdini's sales have grown based on quality, value and deliverability.  
9 (Schwartz Decl., Exh. B, Maguire pp. 26-27) The company is known as  
10 Houdini. According to Houdini's president, "In the industry, everyone knows  
11 who we are," (Schwartz Decl., Exh. A, Dean p. 15) and Houdini's chief financial  
12 officer testified that "We have a very good reputation. Pristine reputation for  
13 quality and value." (Schwartz Decl., Exh. B, Maguire p. 27)

14 Houdini receives telephone calls from individuals directly who have seen  
15 Houdini's gift baskets at stores. These are repeat customers who may be  
16 businessmen who buy multiple gift baskets at a time or just anyone who wants to  
17 buy a present. These customers know that the gift baskets which they saw or  
18 received came from Houdini because of the labels on the baskets with the  
19 HOUDINI name. Customers know that Houdini has corkscrews, wine charms,  
20 wine glasses available to put in its wine baskets. (Schwartz Decl., Exh. A, Dean  
21 pp. 17-18, 22, 35-36; Schwartz Decl., Exh. C, Wechsler pp. 5-6)

22 Houdini gets 5 - 10 new small retailer customers a year. The new  
23 customers always contact Houdini since Houdini only actively pursues the larger  
24 retailers. Houdini sells them gift baskets which sometimes include wine  
25 accessories including corkscrews. (*Id.*, Wechsler pp. 8-9)

26 There are numerous federal trademark registrations for marks for goods  
27 which contain corkscrews and wine or cheese. (Schwartz Decl., Exh. D, Goodwin  
28 p. 5, Schwartz Decl., Exh. G) In addition, various wineries sell corkscrews. (*Id.*,



1 Goodwin pp. 6-18; Schwartz Decl., Exh. H)

2 Houdini has two pending applications with the PTO to register HOUDINI  
3 for products relating to wine or wine accessories. (See Schwartz Decl., Exhs. I, J)  
4 Both of these applications have been rejected as being confusingly similar to  
5 Metrokane's HOUDINI mark. (Schwartz Decl., par. 7)

6 Metrokane is principally a manufacturer and seller of wine accessories such  
7 as corkscrews, wine racks, and foil cutters and mechanical juicers, barware and  
8 related housewares. (Schwartz Decl., Exh. K, p.2) Metrokane first used the mark  
9 HOUDINI for corkscrews on January 13, 2002 and in commerce on April 16,  
10 2002. (*Id.*, p.3) The channels of trade for Metrokane's products include  
11 department stores and retailers such as Target and Bed Bath & Beyond and wine  
12 stores such as Beverages & More. (*Id.* Exh. B thereto)

13 **III. LEGAL STANDARDS.**

14 **A. Legal Standard Re Trademark Infringement.**

15 "Likelihood of confusion" is the basic test for trademark infringement --  
16 that is, whether the accused mark is likely to cause confusion or mistake as to the  
17 source of defendant's goods or whether those goods are affiliated, sponsored, or  
18 associated with plaintiff's goods. *See: Parfums Givenchy, Inc. v. Drug*  
19 *Emporium, Inc.*, 38 F.3d 477, 484 (9th Cir. 1994), *cert. denied* 115 S.Ct. 1315  
20 (The purpose of the Lanham Act is to prevent consumer confusion or deception  
21 about the origin or make of a product.); *McCarthy on Trademarks and Unfair*  
22 *Competition*, (4th Ed., 1996), §23:1 ["Likelihood of confusion is the basic test of  
23 common law and federal statutory trademark infringement.]; *Two Pesos v. Taco*  
24 *Cabana, Inc.*, 505 U.S. 763, 769 (1992) ["It is, of course, also undisputed that  
25 liability [for trademark infringement] . . . requires proof of the likelihood of  
26 confusion."].

27 **B. Legal Standards Re Preliminary Injunctive Relief.**

28 The purpose of a preliminary injunction is to preserve the last uncontested

1 status which preceded the pending controversy. *GoTo.com, Inc. v. Walt Disney*  
2 *Co.*, 202 F.3d 1199, 1210 (9th Cir. 2002) citing *Tanner Motor Livery Ltd. v. Avis,*  
3 *Inc.*, 316 F.2d 804, 809 (9th Cir. 1963) A party is entitled to preliminary  
4 injunctive relief if it shows:

5 (1) a combination of likelihood of success on the merits and the  
6 possibility of irreparable injury; or

7 (2) that serious questions going to the merits are raised and the  
8 balance of hardship tips sharply in the moving party's favor. *Id.* at 1204-05;  
9 *Tillamook County v. U.S. Army Corp of Engineers*, 288 F.3d 1140, 1143 (9th Cir.  
10 2002).

11 As will be demonstrated below, Plaintiff Houdini has a strong likelihood of  
12 success on the merits of its trademark infringement claim and will suffer  
13 incalculable, irreparable injury if injunctive relief is not immediately granted.  
14 Alternatively, Plaintiff has clearly raised serious grounds for adjudication and the  
15 balance of hardships tips decidedly in his favor. Consequently, immediate  
16 injunctive relief is appropriate.

17 **IV. ARGUMENT.**

18 **A. There is a Substantial Likelihood That Plaintiff Will Prevail on**  
19 **The Merits of Its Claim For Trademark Infringement.**

20 The goal of the framers of the Lanham Act, 15 U.S.C. § 1051, et seq., was  
21 to secure to the owner of a trademark the goodwill of his business and at the same  
22 time protect the buying public against spurious and falsely marked goods.  
23 *Application of E.I. Dupont de Nemours & Co.*, 476 F.2d 1357, 1360 (C.C.P.A.  
24 1973). Plaintiff's trade name and trademark is HOUDINI. Consequently,  
25 Houdini's claim for trademark infringement centers on whether Metrokane's use  
26 of the mark HOUDINI is likely to cause confusion or mistake or to deceive  
27 consumers as to the source of Defendant's goods or as to affiliation, sponsorship,  
28 or association of Defendant's goods with Plaintiff. *See*: 15 U.S.C. § 1114

1 As demonstrated below, the likelihood of such confusion is beyond doubt  
2 and therefore, there is a high likelihood that Plaintiff Houdini will succeed on its  
3 claim of infringement.

4 **1. Plaintiff's Right to Use The Mark HOUDINI is Superior to**  
5 **Defendant's Right to Use The Identical Mark.**

6 A prerequisite to a claim of trademark infringement is that the party  
7 claiming injury must have "superior" trademark rights -- that is, the claimant must  
8 have priority of use. When a merchant has established a trademark right by use  
9 on or in association with a product before anyone else, the right to use it in  
10 connection with that product becomes an exclusive right and the mark is his  
11 property. McCarthy, § 2:14. In the present case, Plaintiff has used the HOUDINI  
12 name and mark continuously since 1984 whereas Defendant only adopted the  
13 mark in 2002. Consequently, Plaintiff has priority of use and therefore superior  
14 trademark rights in HOUDINI mark.

15 **2. The HOUDINI Mark is Distinctive and Therefore**  
16 **Protectable.**

17 A trademark is protectable if it is distinctive, either inherently or through  
18 acquisition of secondary meaning. *Two Pesos*, 505 U.S. at 769.

19 **a) The HOUDINI Mark is Distinctive.**

20 Trademarks are classified in categories of increasing distinctiveness:  
21 (1) generic; (2) descriptive; (3) suggestive; and (4) arbitrary or fanciful. *Two*  
22 *Pesos*, 505 U.S. at 768 (approving of the formulation for categorizing the  
23 distinctiveness of mark set forth in *Abercrombie & Fitch Co. v. Hunting World*,  
24 537 F.2d 4, 9 (2d Cir. 1976).). Suggestive, arbitrary, and fanciful marks are  
25 protectable without secondary meaning; descriptive marks are not. Generic terms  
26 are never protectable as trademarks. *See: Two Pesos*, 505 U.S. at 768-769.

(1) The HOUDINI mark is not generic for gift baskets containing wine or for wine accessories.

Under the *Abercrombie* test, Plaintiff's HOUDINI mark is plainly not generic, i.e., the common name of the goods -- that is, HOUDINI is not the common name for gift baskets containing wine or wine accessories such as corkscrews or wine glasses. Examples of generic terms are "Easter Basket" for Easter floral bouquets, *Teleflora, Inc. v. Florists Transworld Delivery Association*, 217 U.S.P.Q. 1081 (C.D. Cal. 1981) and "Self-Realization" for a type of organization dedicated to spiritual attainment in the manner taught by yoga, *Self-Realization Fellowship Church v. Amanda Church of Self Realization*, 59 F.3d 902 (9th Cir. 1995).

(2) The HOUDINI mark is not descriptive of gift baskets containing wine or for wine accessories.

A mark is "descriptive" if it is descriptive of the intended purpose, function or use of the goods, the size of the goods, the provider of the goods, the class of users of the goods, a desirable characteristic of the goods, the nature of the goods or the end effect upon the user. *McCarthy*, § 11:16 at 11-21 - 23. Examples of descriptive marks are: "P.M." for an analgesic for night time use; *See: Bristol-Myers Squibb Co. v. McNeil - P.P.C., Inc.* 973 F.2d 1033 (2nd Cir. 1992); KING SIZE for larger men's clothes, *See: King Size, Inc. v. Frank's King Size Clothes, Inc.*, 547 F.Supp. 1138 (S.D. Tex 1982); and 5-MINUTE for glue which sets in five minutes; *See: Devcon Corp. v. Woodhill Chemical Sales Corp.*, 455 F.2d 830 (1st Cir. 1972) *cert. denied* 409 U.S. 845. Plaintiff's HOUDINI mark does not meet any of the foregoing requirements as to Plaintiff's products and therefore is not descriptive as a matter of law.

1                                   (3)    **The HOUDINI mark is inherently distinctive.**

2           It is irrelevant whether the HOUDINI mark is deemed to be “suggestive”  
3 because it may suggest qualities of Plaintiff’s goods (which it does not) or  
4 categorized as being “arbitrary” because it bears no relationship to the goods  
5 (*McCarthy* § 11:11 at 11-15) because both “arbitrary” and “suggestive” marks are  
6 inherently distinctive as a matter of law. *Two Pesos*, 505 U.S. at 768. *See:*  
7 *McCarthy*, § 11:12 at 11-16. [“Arbitrary marks are sometimes difficult to  
8 distinguish from ‘suggestive’ marks. However, for legal purposes, there is little,  
9 if any, reason to make the distinction, and the cases hardly ever bother to do so.”]  
10 Consequently, HOUDINI is a protectable mark because it is inherently  
11 distinctive.

12                               3.    **Houdini's Rights in The HOUDINI Mark Are Infringed by**  
13                               **Metrokane's Unauthorized Use of the Identical Mark.**

14           Since Plaintiff’s HOUDINI mark is proprietary, i.e., distinctive, the  
15 remaining issue in determining whether Plaintiff’s rights are infringed by  
16 Defendant's use of the HOUDINI mark is whether there is a likelihood that an  
17 appreciable number of ordinary consumers or potential consumers are likely to be  
18 misled or confused as to the source of the goods in question -- that is, whether  
19 actual or potential customers would be likely to erroneously believe that  
20 Defendant's goods offered under the HOUDINI mark are authorized, sponsored  
21 by, or affiliated with Plaintiff.

22           Determination of the likelihood of confusion issue requires a weighing of  
23 various factors. These factors include: (a) the strength of Plaintiff’s mark; (b) the  
24 proximity of the goods; (c) the similarity of the marks; (d) evidence of actual  
25 confusion; (e) the marketing channels used; (f) the type of services and the degree  
26 of care likely to be exercised by the purchaser; (g) Defendant's intent in selecting  
27 and/or using the mark; and (h) likelihood of expansion of product lines. *K P*  
28 *Permanent Make-Up, Inc. v. Lasting Impressions Inc.*, 328 F.3d 1061, 1073 (9th

1 Cir. 2003); *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-349 (9th Cir. 1979).  
2 In the present case, a likelihood of confusion is certain.

3 a) **Defendant's Use of the HOUDINI Mark Comes**  
4 **Within the Scope of Protection of Plaintiff's Mark.**

5 As discussed above, Plaintiff's HOUDINI mark is subject to exclusive  
6 appropriation because it is distinctive. Plainly, Defendant's use of the identical  
7 mark comes within the scope of protection to be accorded Plaintiff's mark.

8 b) **Plaintiff's and Defendant's Goods are Highly**  
9 **Related and Overlap.**

10 The standard for evaluating whether the parties' respective goods favor a  
11 finding of a likelihood of confusion is clearly established.

12 [F]or the purpose of determining the likelihood of  
13 source confusion of trademarks, the goods need not be  
14 identical or even competitive, it being sufficient that  
15 they are so related and/or conditions surrounding their  
16 marketing are such that they are likely to be  
17 encountered in the marketplace by the same relevant  
18 purchasers who, because of the relatedness of the goods  
19 and the marks' similarities, would believe, mistakenly,  
20 that they share a common source or are associated with  
21 the same producer.

22 *In re Corning Glass Works*, 229 U.S.P.Q. 65, 66 (T.T.A.B. 1985). *See:*  
23 *McCarthy*, § 24:6 at 4-16. ["The modern rule of law gives the trademark owner  
24 protection against use of its mark on any product or service which would  
25 reasonably be thought by the buying public to come from the same source, or  
26 thought to be affiliated with, connected with, or sponsored by, the trademark  
27 owner."] *See: In re Save Venice New York, Inc.* 259 F.3d 1346, 1355 (Fed. Cir.  
28 2001) ["The related goods test measures whether a reasonably prudent consumer



1 would believe that non-competitive but related goods sold under similar marks  
2 derive from the same source, or are affiliated with, connected with, or sponsored  
3 by the same trademark owner."]

4 In the present case, Metrokane uses the HOUDINI trademark for  
5 corkscrews, wine glasses, wine foil cutters and other wine accessories. Houdini  
6 uses its HOUDINI mark for gift baskets which contain bottles of wine, many of  
7 which also include wine accessories, such as corkscrews, wine coolers, and wine  
8 glasses. As such, Houdini's and Metrokane's goods for which the HOUDINI  
9 mark is used are in some cases directly competitive and in others are related or  
10 complementary. *E & J Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1291  
11 (9th Cir. 1992) ["Where goods are related or complementary, the danger of  
12 consumer confusion is heightened." Wine and cheese held to be complementary  
13 because they are served and promoted together; the products are often sold  
14 together in the same package; and they are sold in the same section of retail  
15 stores.] Indeed, many wineries sell corkscrews and the existence of a multitude  
16 of registrations for marks for wine and corkscrews attest to the complementary  
17 nature of bottles of wine and corkscrews. This factor plainly favors a finding of a  
18 likelihood of confusion. *Id.*; *See Amcor Indus., Inc.*, 210 U.S.P.Q. 70, 78  
19 (T.T.A.B. 1981) ["In a situation . . . where both parties are using the identical  
20 designation . . . the relationship between the goods on which the parties use their  
21 marks need not be as great or as close as in the situation where the marks are not  
22 identical or strikingly similar."]

23 c) **The Parties' Marks Are Identical.**

24 The parties each use the identical mark -- HOUDINI. This factor strongly  
25 favors a likelihood of confusion.

**d) The Absence of Known Instances of Actual Confusion Does Not Bar a Finding of a Likelihood of Confusion.**

The test of trademark infringement is likelihood of confusion, not actual confusion. *Academy of Motion Picture Arts and Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1456 (9th Cir. 1991); *Discovery Communications, inc. v. Animal Planet, inc.* 172 F.Supp. 2d 1282, 1289 (C.D. Cal. 2001) The absence of evidence of actual confusion "need not create an inference that there is no likelihood of confusion. *Gallo*, 967 F.2d at 1292.

e) **Houdini's and Metrokane's Goods Are Distributed and Advertised in the Same Trade Channels.**

Houdini's gift baskets are sold in retail stores and in liquor stores. Similarly, Metrokane sells its HOUDINI products in retail stores and in liquor stores. Indeed, the parties' respective products are sometimes sold in the same stores including Target, Bed, Bath & Beyond, and Beverages & More. Houdini's wine gift baskets are sold in the wine section of these stores as are wine accessories such as corkscrews. Plainly, there is a likelihood that a consumer who sees a HOUDINI gift basket and then either a HOUDINI corkscrew or HOUDINI wine glasses is likely to mistakenly believe that these products emanate from the same or a related source.

f) **Although Potential Customers May Exercise Care, There is No Way They Can Avoid Confusion.**

There is presently no evidence as to the degree of care exercised by potential customers for the parties' products. Consequently this factor is neutral.



**g) Defendant's Continued Use of HOUDINI is a Clear Attempt to Trade on Plaintiff's Reputation or Alternatively, With Clear Disregard of Houdini's Established Rights.**

There can be no doubt that Defendant has been aware of Plaintiff's HOUDINI mark since at least as early as 2004 when Houdini sent a cease and desist letter to Metrokane. When Metrokane refused Houdini's demand, Houdini initiated a proceeding in the PTO seeking to cancel Metrokane's registration for HOUDINI. In the spring of 2008, the PTO ruled in Houdini's favor that there was a likelihood of confusion and cancelled Metrokane's registration. Defendant's continued use of the mark after the PTO ruling evidences Defendant's bad faith. Such wrongful intent strongly supports the grant of an injunction enjoining Defendant's inequitable conduct. *Sleekcraft*, 599 F.2d at 348-349.

**h) Metrokane Has Expanded its Use of the HOUDINI Mark to Include Even More Overlapping Goods.**

Metrokane commenced use of HOUDINI for corkscrews in 2002 and expanded use of the mark to foil cutters, wine vacuum pumps, wine chillers and wine racks in 2005. Houdini also sells wine accessories, including foil cutters and wine glasses in its gift baskets under the HOUDINI trademark, thereby increasing the likelihood of confusion.

There is only one possible conclusion from the foregoing analysis -- consumer confusion caused by Defendant's use of the HOUDINI mark is not only likely, but inevitable. Plainly, there is a high likelihood that Plaintiff will succeed on the merits of its claim of trademark infringement.

1           **B. Plaintiff Will Suffer Irreparable Harm From Defendant's Use of**  
2           **The HOUDINI Mark.**

3           Once a trademark owner has shown that consumers are likely to confuse  
4           Defendant's mark with its mark, a presumption of irreparable injury to the service  
5           mark owner follows as a matter of course. As stated by the Ninth Circuit, "Once  
6           the plaintiff in an infringement action has established a likelihood of confusion, it  
7           is ordinarily presumed that the plaintiff will suffer irreparable harm if injunctive  
8           relief does not issue." *GoTo.com* 202 F.3d at 1025; *Rodeo Collections v. West*  
9           *Seventh*, 812 F.2d 1215, 1220 (9th Cir. 1987).

10          Defendant's use of HOUDINI clearly undermines the customer goodwill  
11          that Plaintiff has developed as a result of substantial effort. *See: McCarthy* §  
12          30:49 and cases cited. ["Other elements of irreparable injury may comprise  
13          plaintiff's tangible goodwill, which is almost impossible to accurately ascertain in  
14          dollars."] The evidence presented supports the presumption that Plaintiff will  
15          sustain irreparable and immeasurable harm to its goodwill should Defendant be  
16          permitted to continue using the HOUDINI mark. Consequently, since Plaintiff  
17          has met its burden of showing a likelihood of success on the merits and that it will  
18          suffer irreparable harm if Defendant's infringement is not enjoined, a preliminary  
19          injunction should be issued.

20           **C. There Are Serious Questions Going to The Merits and The**  
21           **Balance of Hardships Tips Decidedly in Plaintiff's Favor.**

22          Because Plaintiff has shown that it is likely to succeed on the merits and is  
23          threatened with irreparable harm, it is not necessary to consider the alternate  
24          standard for issuance of preliminary injunctive relief; namely, whether serious  
25          questions are raised going to the merits of the litigation and the balance of  
26          hardships tips decidedly in favor of Plaintiff. Nevertheless, Plaintiff easily  
27          satisfies the alternative test.

28          Plainly, Plaintiff has raised serious questions going to the merits of the

1 litigation. See Section IV. A above. Therefore, the only remaining issue is the  
2 "balance of hardships."

3 The balance of hardships decidedly favors Plaintiff. The investment and  
4 goodwill incurred by Plaintiff in promoting and marketing its goods during the  
5 past twenty-four years will be irreparably and immeasurably damaged by  
6 Defendant's unauthorized use of the HOUDINI mark. Indeed, it is well  
7 established that the balance of hardships weighs sharply in favor of a trademark  
8 owner who has invested considerable time in the development of its products and  
9 promotion of its mark because it stands so much to lose by unauthorized use of  
10 such mark. *Woodroasts Supplies v. Restaurants Unlimited, Inc.*, 793 F. Supp. 90,  
11 918 (D. Minn. 1992); *See: E. Remy Martin Co. v. Shawdas-Ross Intel Imports*,  
12 756 F.2d 1525 (11th Cir. 1985) Grant of an injunction precluding Defendant  
13 from swamping the goodwill created by Plaintiff by Defendant's expanding  
14 promotional activities is needed to preserve the status quo ante.

15 **V. CONCLUSION**

16 Public policy favors granting an injunction to protect Plaintiff's goodwill  
17 and to avoid consumer deception. Since Defendant's unauthorized use of  
18 Plaintiff's trademark is clearly likely to cause confusion and deception, an  
19 injunction enjoining Defendants' use of the HOUDINI mark pending trial is in  
20 order.

21 Respectfully submitted,  
22 CHRISTIE, PARKER & HALE, LLP

23  
24 DATED: July 7, 2008

By /s/ Edward R. Schwartz  
Edward R. Schwartz  
Attorneys for Plaintiff,  
Houdini, Inc.

**CERTIFICATE OF SERVICE**

I certify that on July 7, 2008, I electronically filed the document described as PLAINTIFF'S MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF ITS MOTION FOR A PRELIMINARY INJUNCTION with the Clerk of the Court using the ECF system which will send notification of such filing to the parties.

/s/ Betty L. Venuti  
Betty L. Venuti

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# EXHIBIT D

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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION

HOUDINI, INC.,  
Plaintiff,  
v.  
METROKANE CORPORATION,  
Defendant.

Case No. CV 08-03076 PA (FMOx)

**MEMORANDUM OF POINTS AND  
AUTHORITIES IN OPPOSITION  
TO PLAINTIFF'S MOTION FOR A  
PRELIMINARY INJUNCTION**

Hearing

Date: August 4, 2008

Time: 1:30 p.m.

Ctrm: 15, Hon. Percy Anderson

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1 **I. INTRODUCTION**

2 Defendant Metrokane Inc. ("Metrokane") submits this Brief in opposition to  
3 Plaintiff's motion for a preliminary injunction enjoining Metrokane's use of its  
4 HOUDINI mark in connection with lever pull corkscrews and other barware.

5 By filing this motion, Plaintiff seeks to convince this Court that there is an  
6 exigency to which Plaintiff allegedly has only now awoken. Since April 2002,  
7 Metrokane has built a successful line of barware products around its HOUDINI brand,  
8 obtaining federal registration of its HOUDINI mark in February 2003. Thus, (i) for  
9 the six years that Metrokane has used that mark in commerce, (ii) the five years since  
10 Plaintiff had constructive notice of Metrokane's ownership of the mark, (iii) and the  
11 four years, at least, that Plaintiff has had actual notice of that use, Plaintiff was content  
12 to sit back while both businesses successfully pursued their trades. Indeed, even when  
13 Plaintiff ultimately decided to commence legal proceedings against Metrokane in July  
14 2005, it failed to pursue injunctive relief. Yet despite this delay, it now comes  
15 running into this Court proclaiming a fierce urgency and demanding emergency relief.  
16 Plaintiff has overslept, and its unreasonable delay should sound a death knell, not only  
17 for its claim of irreparable harm, but also for its probability of success on the merits of  
18 its infringement claim.

19 Nor is Plaintiff's delay the only basis to deny this Motion. Plaintiff has also  
20 failed to present any specific evidence to support its assertions that Metrokane's use of  
21 the HOUDINI mark will inevitably generate consumer confusion or harm to its  
22 "goodwill." In fact, the evidence suggests precisely the opposite. During the past six  
23 years that Metrokane has used the mark in commerce, there has not been a single  
24 incident of consumer confusion, and Plaintiff's business has not suffered but rather  
25 continued to thrive and grow. Viewed in this light, Plaintiff's brazen attempt to force  
26 Metrokane to shut down its successful HOUDINI line should be rejected, particularly  
27 at this early stage of the case.  
28

## II. STATEMENT OF FACTS

### A. Metrokane – Development of the HOUDINI Brand

Metrokane is a leading manufacturer of corkscrews and other beverage accessories, and sells these products under its well-known trademarks RABBIT® and HOUDINI. Since the introduction of its first “lever pull” corkscrew in 2000 under the RABBIT® trademark, Metrokane has sold millions of corkscrews and has become virtually synonymous with premium corkscrews.

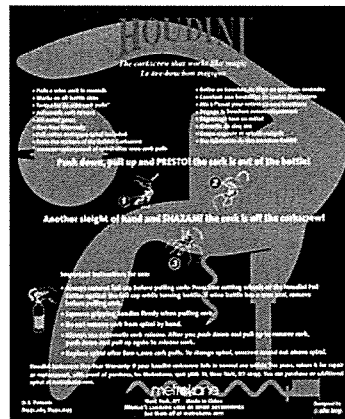
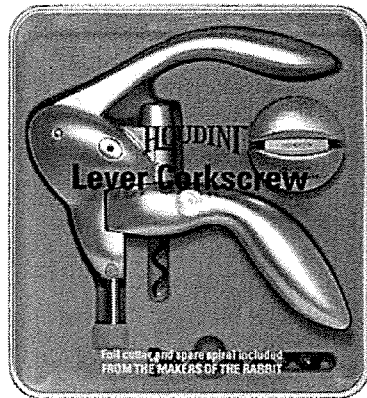
In 2001, Metrokane developed a new premium lever pull corkscrew but at a lower price point than the RABBIT®. While considering names that would relate to RABBIT®, Bob Larimer, Metrokane’s Marketing Director, recalled that his children had a rabbit that they named “Houdini” due to its ability to escape from various enclosures. The new product line was branded HOUDINI based on this connection, and because it “works like magic” by requiring significantly less physical exertion and coordination to remove the cork. At the time the product was named, Mr. Larimer had never heard of Plaintiff Houdini, Inc. (Declaration of Robert Larimer (“Larimer Decl.”), ¶ 3.)

The HOUDINI corkscrew was first introduced at a trade show in January 2002 and shipped nationwide to customers in April 2002. Every package also contained a “HOUDINI Foil Cutter” with the HOUDINI name imprinted on it. (*Id.*, ¶ 4.)

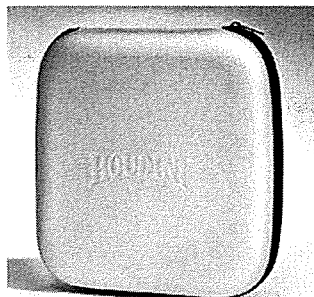
The product met with great success, and Metrokane promptly introduced other wine accessory products under the HOUDINI family of marks. In 2002, Metrokane sold the “HOUDINI Wine Tool Kit,” which contained a lever corkscrew, foil cutter, wine/champagne sealer and drip-stop ring. In 2003, Metrokane added to the HOUDINI brand family with the introduction of the “HOUDINI Wine Preserver,” a vacuum pump with 2 stoppers. In 2004, Metrokane introduced the “HOUDINI Gift Set,” which contained the lever pull corkscrew, a foil cutter, wine/champagne sealer and drip-stop ring. All of these products were designed, produced and brought to market before Metrokane ever heard of Houdini, Inc. (*Id.*, ¶ 6.)



The HOUDINI corkscrew is currently sold in a clear plastic case which prominently displays the HOUDINI trademark in stylized lettering on both the front and back of the package, along with the METROKANE trademark (*id.*, ¶ 7):



The HOUDINI corkscrew has an MSRP of \$30.00, while the HOUDINI ZIP KIT, which includes a foil cutter, additional spiral and accessories, retails for \$50.00. The HOUDINI Wine Preserver lists for \$12.00, as shown below. (*Id.*, ¶ 8.)



Zip Kit has Houdini logo embossed on soft-to-the touch EVA case.  
Retail Price: \$50.00  
Item #: 2906



By comparison to these premium products and pricing, the simple pocket corkscrew that Plaintiff drops into certain gift baskets as a “trinket” costs it around \$1.00. (*See Declaration of Robert J. Schoenberg (“Schoenberg Decl.”)*, Exhibit 2, attaching Deposition of Daniel M. Maguire, at 38:21-25.)

1 **B. Metrokane's Sales Revenues and Advertising Expenses**

2 Sales of Metrokane's HOUDINI corkscrew products were brisk from the start.  
3 From July to December of 2002, Metrokane sold 40,946 HOUDINI corkscrew  
4 products, worth over \$1,000,000. In its first year, Metrokane spent approximately  
5 \$30,000 to \$40,000 on advertising the HOUDINI corkscrew in major print  
6 publications such as *Ladies Home Journal*, *Good Housekeeping*, and *Redbook*.  
7 Shortly thereafter, Metrokane spent between \$100,000 and \$150,000 on a print  
8 campaign in these same publications advertising HOUDINI corkscrew products.  
9 (Declaration of Joel Grossman ("Grossman Decl."), ¶ 3.)

10 In 2003, sales of HOUDINI corkscrew products totaled more than \$1,600,000  
11 on the sale of nearly 103,000 units. That year, Metrokane spent more than \$150,000  
12 advertising the HOUDINI brand on cable television nationwide. (*Id.*, ¶ 4.)

13 In 2004, sales of HOUDINI corkscrew products increased to \$2.2 million on the  
14 sale of 161,870 units. Cable advertising for the HOUDINI corkscrew increased to  
15 \$183,324 in 2004. In 2005, sales of the HOUDINI corkscrew products further  
16 increased to 425,755 units worth more than \$3,800,000. Since 2002, consumers have  
17 been able to purchase HOUDINI brand products online using Metrokane's website  
18 and, more recently, through Amazon.com. (*Id.*, ¶ 5.)

19 Sales of HOUDINI corkscrew products in 2006-2008 reflect yet further growth  
20 and consumer recognition. All told, Metrokane has sold more than \$10,000,000 worth  
21 of corkscrews and products under the HOUDINI trademark. (*Id.*, ¶ 6.)

22 The primary retailers of Metrokane's HOUDINI corkscrews and related  
23 products are the large national retailers Kohl's, Target and Linens 'N Things. Other  
24 retailers, such as Costco, Inc., have purchased the higher-end RABBIT® corkscrews,  
25 but not Metrokane's HOUDINI corkscrew products. (Larimer Decl, ¶ 9.)

26 Metrokane has never received a report of consumer or retailer confusion  
27 concerning its products and those sold by Plaintiff herein. (*Id.*, ¶ 10.)  
28

1 **C. Plaintiff Houdini, Inc.**

2 Plaintiff's use of the trade name "Houdini, Inc." is exclusively through its  
3 wholesale design and distribution services made available to a handful of large  
4 national warehouse type stores and not intended to be used in retail sales.<sup>1</sup> Plaintiff's  
5 wholesale business is seasonal: It designs, assembles and distributes gift baskets,  
6 pursuant to wholesale customer specifications and requirements, primarily for the  
7 Christmas season. (See Schoenberg Decl., Exhibit 3, Maguire Dep., Tr. 7:21 – 8:2).

8 Plaintiff does not claim to manufacture or place its "Houdini" brand on  
9 corkscrews, nor does it produce or place its brand on wine or wine accessories.  
10 Instead, its wholesale customers have the option of choosing from numerous name  
11 brand items to include in the basket, such as Ghirardelli® chocolate, Starbucks® coffee  
12 and Beringer® wines. The resulting gift baskets are typically named after the most  
13 prominent brand name product in the basket, such as "Indulgent Ghirardelli  
14 Treasures," "Antinori 'Santa Cristina' Gift Basket" or "Beringer 3 Pk." (Schwartz  
15 Decl., Exhibit E, page 61.) In its wine themed baskets, "you'll typically find two  
16 bottles of wine, some cheese, crackers and little trinkets like wine charms or cheese  
17 knife, a plate [or] corkscrew." (Schoenberg Decl., Exhibit 2, Maguire Dep., Tr. 11:5-  
18 10) (emphasis added).)

19 Importantly, Plaintiff's motion papers offer no proof that any gift baskets sold  
20 prior to April 16, 2002 contained a corkscrew with the "Houdini" trade name affixed  
21 thereto. To the contrary, Plaintiff's CFO testified that the small UPC labels attached  
22 to the bottom or side of the baskets were first created in 2004, two years after  
23 Metrokane first sold its HOUDINI corkscrews nationwide (April 2002). (See  
24 Schwartz Decl., Exhibit B, page 33, Tr. 16:4-13, referring to the two pages of labels  
25 attached to the Schwartz Decl. as Exhibit E).

26 \_\_\_\_\_  
27 <sup>1</sup> Plaintiff's CFO testified that his company does "not [sell] under the name Houdini" to  
28 consumers. Rather, it "sell[s] products to consumers under the name Wine Country Gift  
Baskets. That's our retail store." (Schoenberg Decl., Exh. 2, Maguire Dep., Tr. 23:7-11.)



1 On the Plaintiff's web site, *www.houdiniinc.com*, no corkscrews or any other  
2 related items are displayed. The Houdini website consists of little more than a  
3 welcome page and a link to its sister company, Wine Country Gift Baskets. All other  
4 links on the page to food or gift products are nonfunctional. (Schoenberg Decl., ¶ 8.)

5 Despite the six years that Metrokane has used the Houdini trademark with  
6 corkscrews, Plaintiff admits that it can cite no instance of actual confusion between  
7 Metrokane's HOUDINI trademark and Plaintiff's trade name. (Pl. Br. at 13.)

### 8 **III. PROCEDURAL HISTORY**

9 Metrokane filed an application to register the HOUDINI trademark on August  
10 29, 2001, under 15 U.S.C. § 1051(b), based on an intent to use the mark in connection  
11 with "corkscrews" in International Class 21. Metrokane's application was approved  
12 by the PTO Trademark Examining Attorney and published for opposition on  
13 December 18, 2001 in the PTO's Official Gazette. No oppositions were filed against  
14 the application. The PTO granted Metrokane's application and issued Registration  
15 No. 2687530 (the "'530 Registration") to Metrokane on February 11, 2003, based on  
16 first use on January 13, 2002, and first use in commerce on April 16, 2002. (*See*  
17 Schoenberg Decl., ¶¶ 4-5, Exh. 1.)

18 On September 28, 2004, Plaintiff's counsel sent Metrokane a letter demanding  
19 that it cease and desist use of the HOUDINI mark, thus demonstrating the last arguable  
20 point in time that Plaintiff had actual knowledge of Metrokane's use of the mark.

21 On June 21, 2005, Plaintiff filed its own applications with the PTO to register  
22 the mark "Houdini," as used in connection with "gift baskets and gift packages  
23 containing food, beverages and/or household items, namely, corkscrews, coasters,  
24 wine glasses, mugs, dishes, cutting boards, cheese spreaders, bath brushes and bath  
25 sponges" (Serial No. 78655512), and "gift baskets and gift packages consisting  
26 primarily of wine" (Serial No. 78655517). Plaintiff's applications were rejected by  
27 the PTO Trademark Examining Attorney on the grounds that its claimed "Houdini"  
28 marks were likely to cause confusion with Metrokane's pre-existing '530 Registration.

1 On July 13, 2005, Plaintiff filed with the Trademark Trial and Appeal Board  
2 (“TTAB”) a Petition to Cancel Metrokane’s ‘530 Registration, claiming prior use of  
3 the “Houdini” mark in connection with its gift basket design services. The Petition  
4 was assigned Cancellation No. 92044725. On May 1, 2008, TTAB issued its decision  
5 granting Plaintiff’s petition for cancellation of the ‘530 Registration.

6 Just days after TTAB issued its ruling, on May 9, 2008 – more than six years  
7 after Metrokane first used its HOUDINI mark in commerce in connection with  
8 corkscrews and five years after the issuance of Metrokane’s ‘530 Registration –  
9 Plaintiff filed this Complaint seeking *for the first time* to enjoin Metrokane’s use of  
10 the HOUDINI mark.

11 On June 27, 2008, Metrokane timely filed an appeal of the TTAB decision,  
12 pursuant to 15 U.S.C. Sec. 1071(b), which is pending before the United States District  
13 Court for the Southern District of New York, Civil Action No. 08-5841 (NRB).

#### 14 **IV. THE PRELIMINARY INJUNCTION STANDARD IS NOT MET**

15 Given the number of years that Metrokane has used its HOUDINI mark in  
16 commerce without actual confusion, the successful brand that it has built around that  
17 mark, Plaintiff’s constructive and actual knowledge of that use, and Plaintiff’s failure  
18 to present proof of imminent harm or quantification of damages allegedly incurred,  
19 there is no basis for the Court to grant preliminary injunctive relief that would  
20 effectively close down Metrokane’s HOUDINI line of barware products.

#### 21 **A. Legal Standard**

22 A preliminary injunction is an “extraordinary remedy.” *Shelton v. National*  
23 *Collegiate Athletic Ass’n*, 539 F.2d 1197, 1199 (9th Cir. 1976), and “the right to  
24 relief must be clear and unequivocal.” *Salt Lake Tribune Publishing v. AT&T Corp.*,  
25 320 F.3d 1081, 1099 (10th Cir. 2003). Here, Plaintiff has failed to demonstrate that  
26 such a drastic remedy is warranted.

27 The Ninth Circuit has described the test for preliminary injunctive relief in two  
28 ways. Under the traditional criteria, a plaintiff must show: (1) a strong likelihood of

1 success on the merits; (2) irreparable injury to the movant if relief is not granted; (3) a  
2 balance of hardships favoring the movant; and (4) advancement of the public interest  
3 (in certain cases). *Save our Sonoran, Inc. v. Flowers, Inc.*, 408 F.3d 1113, 1120 (9th  
4 Cir. 2005). Alternatively, a court may grant the injunction if the movant demonstrates  
5 either: (1) a probability of success on the merits combined with a possibility of  
6 irreparable harm if the relief is denied; or (2) serious questions regarding the merits  
7 have been raised and the balance of the hardships tip sharply in the movant's favor.  
8 *Id.*; *Tillamook County v. U.S. Army Corp. of Engineers*, 288 F.3d 1140, 1143 (9th Cir.  
9 2002). These two formulations "represent two points on a sliding scale in which the  
10 required degree of irreparable harm increases as the probability of success decreases."  
11 *Oakland Tribune, Inc. v. Chronicle Pub. Co.*, 762 F.2d 1374, 1376 (9th Cir. 1985).

12 Under any formulation of the test, the movant must demonstrate the existence  
13 of a significant threat of irreparable harm that is "immediate." *Caribbean Mar. Serv.*  
14 *Co. v. Baldrige*, 844 F.2d 668, 674 (9th Cir. 1988); *Oakland*, 762 F.2d at 1376.  
15 Mere risk of irreparable harm in the indefinite future is insufficient; the harm must be  
16 imminent. *Church v. Huntsville*, 30 F.3d 1332, 1337 (11th Cir. 1994); *Campbell Soup*  
17 *Co. v. ConAgra, Inc.*, 977 F.2d 86, 91 (3rd Cir. 1992). Any presumption of  
18 irreparable injury is rebutted by delay in seeking a preliminary injunction because a  
19 party's "long delay before seeking a preliminary injunction implies a lack of urgency  
20 and irreparable harm." *Oakland Tribune*, 762 F.2d at 1377; *see also Merle Norman*  
21 *Cosmetics, Inc. v. Martin*, 1990 WL 131758 at \*2 (9th Cir. 1990) ("[I]n spite of the  
22 fact that appellant may prevail on the merits, the fact that it waited for several years to  
23 sue on the debt counsels against issuing a preliminary injunction . . .").

24 In asserting irreparable harm, Plaintiff relies upon case law holding that, where  
25 a plaintiff in an infringement action establishes a likelihood of confusion, irreparable  
26 harm is presumed. (Pl. Br. at 15.) This case law, however, precedes the United States  
27 Supreme Court's recent landmark holding in *eBay, Inc. v. MercExchange, L.L.C.*, 547  
28 U.S. 388, 126 S.Ct. 1837, 164 L.Ed.2d 641 (2006), in which the Supreme Court

1 specifically rejected any categorical rule that permanent injunctive relief is  
2 automatically available once a patent holder establishes infringement and validity. To  
3 the contrary, such relief should depend upon equitable considerations that are  
4 incorporated into the test for a preliminary injunction. *Id.* at 393-94. The Court  
5 furthermore suggested that its ruling was not limited to patent cases, but should be  
6 applied in other cases governed by traditional principles of equity. *Id.* at 394.<sup>2</sup>

7 While the *eBay* decision involved a request for a permanent injunction, many  
8 district courts interpreting *eBay* have concluded that its holding is even more relevant  
9 in the context of a preliminary injunction, which requires a showing of likelihood of  
10 success on the merits rather than actual success.<sup>3</sup> In *Adir Int'l, LLC v. Unicomer S.A.*  
11 *de C.V.*, Case No. 07-1314, at \*39 n.103 (C.D. Cal., Nov. 19, 2007), the Hon.  
12 Margaret M. Morrow, U.S.D.J., held: "If irreparable harm cannot be presumed in the  
13 case of a trademark holder who has conclusively demonstrated to the trier of fact that  
14 his mark has been infringed, a fortiori it should not be presumed in the case of a  
15 trademark holder who has shown only likely infringement based on the under-  
16 developed factual record available at the preliminary injunction stage."

17 Here, Plaintiff's Motion must be denied because it fails to demonstrate both  
18 irreparable harm and a likelihood of success on its trademark infringement claim.

19 **B. Plaintiff's Delay Demonstrates a Lack of Irreparable Injury**

20 Plaintiff's delay in bringing this case alone defeats its assertions of irreparable  
21 harm. Metrokane has used the HOUDINI mark in commerce in connection with its  
22 lever pull corkscrews and barware since April 2002. (Larimer Decl., ¶ 4.) Even if  
23

24 <sup>2</sup> See also *Reno Air Racing Ass'n, Inc. v. McCord*, 452 F.3d 1126, 1137-38 (9th Cir. 2006)  
25 (citing the *eBay* holding within the context of a request for a permanent injunction); *Abend v.*  
26 *MCA, Inc.*, 863 F.2d 1465, 1479 (9th Cir. 1988) ("[A]n injunction is a 'harsh and drastic'  
discretionary remedy, never an absolute right."); *Metro-Goldwyn-Mayer Studios, Inc.*, 518 F.  
27 Supp. 2d 1197, 1211 (C.D. Cal. 2007) (finding, in a post-*eBay* copyright infringement case,  
28 that there is no presumption of irreparable harm based on a finding of liability).

<sup>3</sup> See, e.g., *Erico Int'l Corp. v. Doc's Marketing, Inc.*, 2007 WL 108450 at \*7 (N.D. Ohio  
Jan. 9, 2007); *Canon, Inc. v. GCC Int'l Ltd.*, 450 F. Supp. 2d 243, 254 (S.D.N.Y. 2006).

1 Plaintiff did not become immediately aware of Metrokane's use of the mark at that  
2 point, the issuance of the '530 Registration in February 2003 put Plaintiff on  
3 constructive notice. *See* 15 U.S.C. § 1072 ("Registration of a mark on the principal  
4 register provided by this Act . . . shall be constructive notice of the registrant's claim  
5 of ownership thereof."). Thus, February 2003 marks *the latest point* that Plaintiff  
6 should have known of Metrokane's use of the HOUDINI mark. Rather than  
7 immediately seeking to enjoin Metrokane's use of the mark at that time, Plaintiff  
8 allowed five years to pass before seeking injunctive relief. During that time,  
9 Metrokane dramatically expanded the marketing and sales of its Houdini corkscrews  
10 and related barware. (Grossman Decl., ¶¶ 4-6.) This is the antithesis of irreparable  
11 harm. Nor does Plaintiff define any new imminent harm warranting immediate relief.

12 The deliberate nature of Plaintiff's delay in seeking injunctive relief is  
13 underscored by its decision to seek cancellation of Metrokane's '530 Registration in  
14 July 2005 *before the TTAB rather than in a federal court*. The TTAB does not have  
15 the authority to grant injunctions or award damages based on claims of trademark  
16 infringement; its jurisdiction is limited to the issuance, renewal and cancellation of  
17 trademark registrations. *See Rhoades v. Avon Products, Inc.*, 504 F.3d 1151 (9th Cir.  
18 2007) (TTAB cannot award injunctive or damages relief on an infringement claim);  
19 15 U.S.C. §§ 1063(a), 1064, 1067(a). Federal district courts, by contrast, have the  
20 authority to both enjoin the use of a mark and cancel its registration. *See* 15 U.S.C.  
21 §§ 1116, 1119, 1121(a). Thus, upon learning of Metrokane's use of HOUDINI, had  
22 Plaintiff felt a genuine threat of irreparable harm, it could have sought *both remedies*  
23 by pursuing Metrokane in federal court at that time. Its conscious decision to pursue  
24 Metrokane in a forum that cannot grant injunctive relief or award damages is a  
25 revealing testament to the absence of any "irreparable harm."

26 **C. Plaintiff Has Failed to Demonstrate a Probability of Success on the Merits**

27 Under the sliding scale standard for a preliminary injunction, Plaintiff's failure  
28 to demonstrate irreparable harm requires a particularly strong showing that it will



1 succeed on the merits of its infringement claim. *Oakland Tribune*, 762 F.2d at 1376.  
2 That showing, however, is also absent here. Plaintiff's unreasonable delay in bringing  
3 this claim not only undercuts its assertions of irreparable harm, but, more broadly,  
4 evidences laches, which provides a complete defense to the infringement claim. Even  
5 if laches were not evident from the factual record, Plaintiff has failed to demonstrate  
6 that purchasers of Metrokane's HOUDINI premium barware products would be  
7 confused into thinking that those products are sold by a gift basket company.

### 8 **1. Laches Defeats Plaintiff's Infringement Claim**

9 Laches is an equitable time limitation on a party's right to bring suit, based on  
10 the maxim that "one who seeks the help of a court of equity must not sleep on his  
11 rights." *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829, 835 (9th Cir.),  
12 *cert. denied*, 537 U.S. 1047 (2002). It is well established that laches is a defense to  
13 Lanham Act claims. *Id.*

14 The limitations period for laches starts at the time a plaintiff knows or should  
15 have known about its potential cause of action. *Tillamook Country Smoker, Inc. v.*  
16 *Tillamook County Creamery Ass'n*, 465 F.3d 1102, 1108 (9th Cir. 2006). Here, such  
17 period would have commenced, at the latest, upon the issuance of Metrokane's '530  
18 Registration in February 2003, at which time Plaintiff was on constructive notice of  
19 Metrokane's claim to ownership of the mark. *See E-Systems, Inc. v. Monitek, Inc.*,  
20 720 F.2d 604, 607 (9th Cir. 1983) (using the registration date as the beginning of the  
21 laches period); 15 U.S.C. § 1072.

22 Given the absence of a limitations period in the Lanham Act, to determine when  
23 the laches period expires, courts determine the limitations period for the most closely  
24 analogous action under state law. *Tillamook*, 465 F.3d at 1108. If the plaintiff files  
25 suit outside that period, there is a presumption that laches has been demonstrated. *Id.*

26 In California, the companion statutes to the Lanham Act are California Business  
27 and Professions Code § 17208 and California Civil Procedure Code § 343, which set a  
28 *four year* statute of limitations. *See, e.g., Eliminator Custom Boats v. American*

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1 *Marine Holdings, Inc.*, No. ED CV 06-15-VBP (Ex), 2007 U.S. Dist. LEXIS 96414,  
2 at \*7 (C.D. Cal. Nov. 5, 2007) (“Here, the claims are for trademark infringement and  
3 unfair competition. The four-year period is therefore more closely analogous to the  
4 claims at issue here.”) (citing both Cal. Civ. Proc. Code § 343 and Cal. Bus. & Prof.  
5 Code § 17208); *Miller v. Glenn Miller Prods.*, 318 F. Supp. 2d 923, 942 n.11 (C.D.  
6 Cal. 2004) (same), *aff’d*, 454 F.3d 975 (9th Cir. 2006). Because Plaintiff failed to  
7 seek an injunction until more than *five years* had passed after constructive notice of  
8 Metrokane’s use of the HOUDINI mark, its claims are beyond the statute of  
9 limitations for trademark infringement and, therefore, laches must be presumed.

10 The court must then balance six factors to determine whether the plaintiff’s  
11 delay in filing suit was unreasonable, thus barring the suit: (1) the strength and value  
12 of the trademark rights asserted; (2) the plaintiff’s diligence in enforcing the mark; (3)  
13 the harm to the plaintiff if relief is denied; (4) good faith ignorance by the defendant;  
14 (5) competition between the parties; and (6) the extent of harm suffered by the  
15 defendant because of the plaintiff’s delay. *Tillamook*, 465 F.3d at 1108; *E-Systems*,  
16 720 F.2d at 607. All of these factors weigh in Metrokane’s favor.

17 **a. Plaintiff’s Mark Is Weak**

18 As the sole basis for the purported strength of its mark, Plaintiff submits the  
19 undisputed fact that “Houdini” is a “distinctive” mark in the context of gift basket  
20 design and distribution services (as it is in the context of corkscrews and other  
21 barware). (Pl. Br. at 11.) This does not end the inquiry, however. As explained in  
22 the preeminent treatise on trademarks: “The ultimate test of relative strength is the  
23 distinctiveness of a mark *in the mind and perception of the relevant consumer group.*”  
24 MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION, § 11:85 (2001) (emphasis  
25 added); *see also Reno Air Racing Ass’n*, 452 F.3d at 1136 (“the legal question is not  
26 whether the marks look similar to us but whether they look similar to ordinary  
27 consumers” of the products) (quoting *Scandia Down Corp. v. Euroquilt, Inc.*, 772  
28 F.2d 1423, 1428-29 (7th Cir. 1985)).

1 Here, Plaintiff has not presented any evidence to suggest that the reasonable  
2 consumer should associate “Houdini” with Plaintiff’s gift baskets. Importantly, all of  
3 Plaintiff’s retail sales are handled through the website of its sister company, WCGB,  
4 *www.winecountrygiftbaskets.com*. (See Schwartz Decl., Ex. F.) Plaintiff does not sell  
5 gift baskets under the “Houdini” name on that site; indeed nowhere on that site can the  
6 “Houdini” name be found. Accordingly, to the extent that Plaintiff claims use of the  
7 name “Houdini,” it can only be in connection with the sale of its design, assembly and  
8 distribution services to its wholesale customers, who in turn sell the gift baskets in  
9 their stores to the consuming public.

10 Plaintiff’s wholesale corporate customers, such as Costco and Sam’s Club, are  
11 sophisticated and familiar with their vendors. They not only order baskets from  
12 Plaintiff on a regular basis, but also participate in the process of selecting the type,  
13 content and price of baskets they believe would be most attractive to their shoppers.  
14 Their ongoing interactions and negotiations with Plaintiff as a vendor, and resulting  
15 familiarity with its design services, render them unlikely to confuse Plaintiff with a  
16 manufacturer of barware and other housewares such as Metrokane. Nor has Plaintiff  
17 presented any evidence that Costco, Sam’s Club, or any other wholesaler has actually  
18 experienced such confusion.

19 In an attempt to prove that it used its trade name in connection with corkscrews  
20 before Metrokane sold its first HOUDINI corkscrew in April 2002, Plaintiff offers a  
21 sheet of UPC labels, marked as Exhibit E to the Schwartz Declaration. (Schwartz  
22 Decl., ¶ 3; Pl. Br. at 4.) But Plaintiff’s CFO testified that the UPC labels were first  
23 created in 2004, two years after Metrokane first sold its HOUDINI corkscrew  
24 nationwide (April 2002). (See Schwartz Decl., Exhibit B, page 33, Tr. 16:4-13).

25 Nor is there any evidence showing that these labels were placed “prominently”  
26 on the basket for the average consumer to see and appreciate. Given that the labels  
27 shown in Exhibit E are small in actual size (1.75” by 2.75”), use the “Houdini” name  
28 in particularly small font, and bear the product’s UPC symbol, it remains to be seen



1 why any reasonable consumer would notice the contents of the label, rather than  
2 focusing on the name brand products contained in the basket.

3 Plaintiff has also failed to provide any example of the “point of sale markers”  
4 that certain wholesale sellers of Plaintiff’s baskets purportedly used before April 2002.  
5 (Pl. Br. at 4.) Accordingly, it is impossible for this Court to determine their size,  
6 prominence, or purpose and, therefore, their conspicuousness to the consuming public.  
7 Finally, Plaintiff does not even claim to engage in any promotion or advertising of its  
8 gift baskets to the consuming public under the name “Houdini” that would generate an  
9 association in the public’s mind with its gift basket services. Nor has Plaintiff  
10 presented any survey evidence of such an association.

11 **b. Plaintiff Failed to Enforce Its Mark**

12 By delaying the commencement of this suit for five years following  
13 constructive notice of Metrokane’s use of the mark, Plaintiff was anything but diligent  
14 in policing its mark. Plaintiff’s action before the TTAB does not mitigate this failure.  
15 As discussed above, by electing to pursue cancellation of the ‘530 Registration before  
16 the TTAB (which cannot impose injunctive relief) rather than in a federal court  
17 (which can grant cancellation, injunctive relief and damages), Plaintiff went out of its  
18 way to delay the claim that it now belatedly brings before this Court.

19 **c. Plaintiff Would Suffer No Harm if this Motion is Denied**

20 Although Plaintiff claims that its goodwill will suffer without a preliminary  
21 injunction (Pl. Br. at 14), it has presented no evidence to support that claim, or to  
22 demonstrate any damages it has suffered over the past six years that Metrokane has  
23 used the HOUDINI mark in commerce, expanded its HOUDINI line of barware  
24 products, and dramatically increased its advertising and sales. To the contrary, the  
25 evidence shows that, despite Metrokane’s six years of use, Plaintiff has become or  
26 remained the “second largest distributor of gift baskets in the country.” (Pl. Br. at 1.)  
27 Indeed, Plaintiff brags about its expansion over time and the growth of its annual  
28 sales to “approximately 1 million baskets . . . based on quality, value and

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1 deliverability.” (Pl. Br. at 5). Plaintiff’s Chief Financial Officer proudly attests that  
2 Plaintiff “has a very good reputation. Pristine reputation for quality and value.” (*Id.*)  
3 And despite those six years of Metrokane’s use of the mark, Plaintiff presents not a  
4 single instance of actual confusion by a customer mistaking one party for the other or  
5 otherwise suggesting any damage to Plaintiff’s “pristine” reputation. The inevitable  
6 conclusion is that if preliminary injunctive relief is denied, Plaintiff will suffer  
7 absolutely nothing and will continue to operate a successful gift basket company.

8 **d. Metrokane Adopted the HOUDINI Mark in Good Faith**

9 Nor has Plaintiff presented any evidence suggesting that Metrokane adopted the  
10 HOUDINI mark with knowledge of Plaintiff’s use or in any bad faith attempt to harm  
11 Plaintiff’s business. To the contrary, in his Declaration, Metrokane Marketing  
12 Director Bob Larimer attests that he selected the HOUDINI name for Metrokane’s  
13 line of barware based on (i) the name of his children’s pet, (ii) because the corkscrew  
14 worked “like magic,” and (iii) to complement Metrokane’s existing RABBIT® line of  
15 corkscrew products. (Larimer Decl., ¶ 3.) Metrokane was not aware of Plaintiff’s  
16 existence until it received a letter from Plaintiff’s attorney, dated September 28, 2004.  
17 (*See* Schwartz Decl., Ex. K, at 145.) This is not surprising, given that Metrokane’s  
18 August 29, 2001 application to register the HOUDINI mark was met with no  
19 opposition either from the PTO examiner or any third party upon the publication of  
20 the proposed mark in the PTO Official Gazette in December 2001. (Schoenberg  
21 Decl., ¶¶ 4-5, Exh. 1).

22 **e. Plaintiff and Metrokane Do Not Compete**

23 The parties’ businesses are not competitive in any respect. Metrokane’s  
24 HOUDINI line is “hardware” for wine drinkers. It includes a premium lever pull  
25 corkscrew in a Lucite® storage case, foil cutters, metal wine stand to use in  
26 conjunction with the corkscrew, wine rack, wine preserver, stoppers, and an eight-  
27 piece “Zip Kit” that includes most of these items. (Larimer Decl., ¶¶ 6-8.)  
28

1 By contrast, Plaintiff designs, assembles and distributes a wide variety of  
2 themed gift baskets which contain baby-related items, personal care items (such as  
3 lotions, creams, and other spa items), consumable goods (such as gourmet foods,  
4 coffee, soda and wines), and “trinkets” that assist the purchaser in consuming the  
5 items in the basket. (Schwartz Decl., Ex. F; [www.winecountrygiftbaskets.com](http://www.winecountrygiftbaskets.com).)  
6 Plaintiff does not manufacture any of the items in the basket, but rather entices  
7 purchasers with well known name brands such as Ghirardelli® and Godiva®  
8 Chocolate, Starbucks® Coffee, Coca-Cola® and Mondavi® Wine that are  
9 aesthetically packaged into the basket. (Schwartz Decl., Ex. F.) Although Plaintiff  
10 may include a cheap pocket corkscrew in some of its wine baskets to assist the  
11 purchaser in opening the wine bottles packaged in the basket (Schoenberg Decl.,  
12 Exhibit 2, Maguire Dep., Tr. 11:5-10), Plaintiff is certainly not in the business of  
13 selling barware – particularly not barware of the premium quality and stylized design  
14 characteristic of Metrokane’s HOUDINI line. Accordingly, the parties are not  
15 competitors.

16 **f. Metrokane Would Suffer Severe Harm if the Motion Is Granted**

17 While Plaintiff would continue its “business as usual” if injunctive relief were  
18 denied, Metrokane’s multi-million dollar HOUDINI line would be effectively “closed  
19 for business.” A defendant can make the required showing of prejudice by proving  
20 “that it has continued to build a valuable business around its trademark during the time  
21 that the plaintiff delayed the exercise of its legal rights.” *Grupo Gigante SA DE CV v.*  
22 *Dallo & Co., Inc.*, 391 F.3d 1088, 1105 (9th Cir. 2004); *Whittaker Corp. v. Execuair*  
23 *Corp. et al.*, 736 F.2d 1341, 1347 (9th Cir. 1984) (defendant sufficiently demonstrated  
24 detrimental reliance by continuing its existing business practices and by purchasing  
25 equipment and parts to expand its business).

26 This standard is certainly met here. Plaintiff’s requested relief would require  
27 Metrokane to pull all the HOUDINI products currently on store shelves, dispose of  
28 thousands of them that physically bear the HOUDINI mark on the product itself and

1 dispose of all the product cases and packaging. Even more importantly, Metrokane  
2 would permanently lose the business of its major customers, which amounts to  
3 millions of dollars annually, devastating Metrokane financially and making it difficult  
4 for Metrokane to stay in business. (Larimer Decl., ¶ 12.) It would be the height of  
5 inequity to permit Plaintiff to shut down Metrokane's successful HOUDINI product  
6 line and its entire business – effectively granting it *permanent* injunctive relief – based  
7 on what Judge Morrow properly described as “the under-developed factual record  
8 available at the preliminary injunction stage.” *Adir, supra* at 9.

9 Based on the foregoing, all of the six factors in the laches analysis lead to the  
10 conclusion that Plaintiff's unjustifiable delay defeats its infringement claim.

## 11 **2. There Is No Likelihood of Confusion**

12 Even if Plaintiff's claim survived Metrokane's laches defense – which it should  
13 not – Plaintiff is still unlikely to prevail on its claim that Metrokane's use of the  
14 HOUDINI mark would likely create confusion as to the source of its barware.

15 The test for likelihood of confusion was articulated in *AMF, Inc. v. Sleekcraft*  
16 *Boats*, 599 F.2d 341 (9th Cir. 1979), which set forth the following eight non-exclusive  
17 factors for consideration: (i) the strength of the mark; (ii) the proximity of the  
18 services; (iii) the similarity of the marks; (iv) evidence of actual confusion; (v) the  
19 marketing channels used; (vi) the type of services and degree of care likely to be  
20 exercised by a purchaser; (vii) the intent of the defendant; and (viii) the likelihood of  
21 expansion of the product lines. *Id.* In the Ninth Circuit, these factors must not be  
22 rigidly weighed but must be balanced and adjusted to fit each case: “The list of  
23 factors is not a scorecard – whether a party ‘wins’ a majority of the factors is not the  
24 point.” McCarthy § 24.39 (citing *Thane Int'l, Inc. v. Trek Bicycle Corp.*, 305 F.3d  
25 894 (9th Cir. 2002)). In particular, in the court's consideration of preliminary  
26 injunctive relief (as opposed to at trial); it need not consider all the *Sleekcraft* factors,  
27 in light of the undeveloped nature of the factual record at this stage of the case. *Apple*  
28 *Computer, Inc. v. Formula Int'l, Inc.*, 725 F.2d 521 (9th Cir. 1984).

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1 Consideration of these factors shows that, based upon the factual record before  
2 this court, there is no likelihood of confusion warranting preliminary injunctive relief.  
3 Because the following discussion of the *Sleekcraft* factors necessarily overlaps with  
4 certain aspects of the laches analysis set forth above, Metrokane will reference those  
5 prior discussions, rather than reiterate them, to avoid burdening the Court with  
6 duplicative argument.

7 **a. Plaintiff's Mark Is Weak**

8 For the reasons set forth in pages 12-14, *supra*, there is no reason to believe that  
9 the consumer public associates the "Houdini" name with gift baskets, and as such, the  
10 mark is weak with respect to individual consumers. Although Plaintiff's large  
11 wholesale purchasers are certainly far more likely to associate "Houdini" with  
12 Plaintiff's gift basket design business, they are also far too sophisticated to confuse  
13 Plaintiff with Metrokane's HOUDINI line of barware.

14 **b. Metrokane's HOUDINI Line of Barware Is Not "Proximate"**  
15 **to Plaintiff's Gift Basket Design Services**

16 This factor assesses to what extent the purchasing public could reasonably  
17 believe that the parties' products came from the same source if sold under the same or  
18 similar marks. *Sleekcraft*, 599 F.2d at 348 n.10, 350. Such a belief is less likely to be  
19 reasonable where, as here, the products are not competing. *Id.* at 348.

20 As discussed above, Plaintiff and Metrokane are not competitors. Metrokane  
21 makes corkscrews, wine accessories, other barware, and housewares. Plaintiff designs  
22 and assembles gift baskets of many varieties that it fills with food, beverages, and  
23 other consumable items manufactured by other companies, many of whom, like  
24 Starbucks®, Godiva®, Ghirardelli®, and Coca-Cola®, have very strong marks in the  
25 products that Plaintiff packages into its baskets. Due to the significant differences in  
26 the businesses of Plaintiff and Metrokane, it defies logic to suggest that consumers  
27 would think that Plaintiff, a gift basket company (Pl. Br. at 1), has now started  
28 manufacturing and selling lever pull corkscrews and other premium barware, rather



1 than the “trinkets” it stuffs into some baskets. Nor it is reasonable to suggest that  
2 consumers would think that Metrokane, a company that has always made premium  
3 quality corkscrews and other barware, would start selling food, wine and spa products.

4 For this reason, Plaintiff’s reliance on *E&J Gallo Winery v. Gallo Cattle Co.*,  
5 967 F.2d 1280 (9<sup>th</sup> Cir. 1992), is misplaced. In *Gallo*, the famous Gallo winery, owned  
6 by brothers Ernest and Julio Gallo, sued the youngest brother, Joseph Gallo, who had  
7 established Gallo Cattle Company and started selling consumer-size packages of  
8 cheese for the retail market under the GALLO name. *Id.* at 1285. The Court found  
9 that wine and cheese are “complementary goods” because they are “frequently served  
10 and promoted together in wine and cheese tastings and parties,” and as a result there  
11 was a heightened danger of consumer confusion where a business that makes wine  
12 and a business that makes cheese share the same GALLO name. *Id.* at 1291.

13 That is not the case here. There is nothing complementary by nature about  
14 Metrokane’s barware and Plaintiff’s food, wine and spa gift baskets. While some of  
15 the gift baskets that Plaintiff assembles may contain wine and wine accessories  
16 (including \$1 pocket corkscrews), Plaintiff, unlike the plaintiff in *Gallo*, does not  
17 make the wine or the accessories or place its trade name on the accessories. Nor is  
18 there any basis for consumers to believe – or any proof that they do believe – that  
19 Plaintiff makes wine or wine-related barware. As Plaintiff’s UPC labels state, the  
20 baskets are merely “Packed by” Plaintiff. (Schwartz. Decl., Ex. E.)

21 Plaintiff’s entire claim can be boiled down to the simple notion that, because it  
22 packs wine and wine accessories into some of its baskets, no other company can use  
23 the “Houdini” name in connection with wine-related items. By this logic, Plaintiff  
24 should also be able to prevent others from selling a “Houdini” bath sponge because  
25 Plaintiff includes bath sponges manufactured by a third party in some of its spa  
26 baskets. Likewise, it should be able to bar the sales of a “Houdini” stuffed animal  
27 because it packs stuffed animals into its “new baby” and “teddy bear” baskets, or a  
28 “Houdini” mug because it uses mugs in other gift baskets. Plaintiff has failed to

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1 provide any authority for its remarkable view that packing thousands of different third  
2 party products into its gift baskets entitles it to trademark rights in connection with  
3 each of those products.

4 **c. The Marks Are Not Similar in Presentation**

5 While the marks at issue in this case both involve the word “Houdini,” there are  
6 significant differences in the way the parties present the marks to the consumer public  
7 that would preclude consumer confusion. In analyzing the similarity of the marks, the  
8 court must view the marks as a whole, “as they appear in the marketplace.”  
9 *California Cooler v. Loretto Winery, Ltd.*, 774 F.2d 1451, 1455 (9th Cir. 1985).

10 Notably, the evidence presented by Plaintiff shows that the “Houdini” name  
11 barely appears to consumers “in the marketplace” at all. Plaintiff does not use a  
12 “Houdini” logo on any of its gift baskets. The UPC labels merely show “Houdini” in  
13 a non-stylized, generic font, together with the all-telling message, “Packed by  
14 Houdini, Inc.,” in a nearly unreadable tiny font size below the UPC Code. (Schwartz  
15 Decl., Exh. E.) While Plaintiff also claims that the name “Houdini” is used in “point  
16 of sale markers” that may be located above the gift baskets on store shelves, it has  
17 failed to produce such a marker, describe its dimensions, the size of its print, its  
18 proximity to the baskets, or otherwise demonstrate to the Court why the “markers”  
19 should generate a public familiarity with “Houdini” in connection with gift baskets.

20 Metrokane, by contrast, uses its HOUDINI mark in a logo that is prominently  
21 displayed in stylized, bold lettering on the cases and packaging of its HOUDINI line  
22 of wine accessories, and on the Metrokane web pages that are dedicated to its  
23 HOUDINI products. (See Grossman Decl., Exhs. 1-2.) The HOUDINI logo is also  
24 printed directly onto some of the wine accessories, such as the foil cutters and wine  
25 preservers. (See *supra* at 3.)

26 As a matter of law, conflicting marks consisting of both words and design  
27 elements must be compared in their entireties to determine likelihood of confusion.  
28 *King of the Mtn. Sports, Inc. v. Chrysler Corp.*, 185 F.3d 1084 (10th Cir. 1999)

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(because marks are to be compared in their entireties, even if the “dominant” parts of the conflicting word-design marks are their identical words, the marks as a whole are not confusingly similar).<sup>4</sup> Under this standard, there is no doubt that the marks are sufficiently different to prevent any likelihood of confusion between Plaintiff’s gift basket business and Metrokane’s HOUDINI line of wine-related barware.

**d. There Is No Evidence of Actual Consumer Confusion**

Plaintiff is forced to concede in its moving papers that there is a complete “absence of evidence” of actual consumer confusion between Metrokane’s HOUDINI barware and Plaintiff’s gift baskets. (Pl. Br. at 13.) Despite its sales of “approximately 1 million” gift baskets (*id.* at 5), Plaintiff cannot point to a single telephone call to its offices by a confused consumer seeking to purchase a lever pull corkscrew or other barware. It cannot produce a single email mistakenly sent to its employees, or reference a single instance where a representative from a wholesale customer submitted an order for Metrokane barware instead of gift baskets. Nor has Plaintiff submitted any survey evidence demonstrating the existence of such confusion. *See Gallo*, 967 F.2d at 1292.

The absence of evidence of actual confusion is particularly telling, given that Metrokane has used the HOUDINI mark in commerce in connection with its barware – with impressive and increasing sales, promotion and profit – for *over six years*. *See Sleekcraft*, 599 F.2d at 353 (the absence of actual confusion is weighed “heavily” when “the particular circumstances indicate such evidence should have been available”). As the Ninth Circuit recognized in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1050 (9th Cir. 1999), “We cannot think of more persuasive evidence that there is no likelihood of confusion between

<sup>4</sup> This is in contrast to the comparison of two word-design marks with *similar design* elements but *different words*, where a likelihood of confusion is more readily found. *See, e.g., Arnold, Schwinn & Co. v. Evans Products Co.*, 302 F.2d 765 (C.C.P.A. 1962).



1 these two marks than the fact that they have been simultaneously used for five years  
2 without causing any consumers to be confused as to who makes what.”

3 The absence of instances of actual confusion here therefore not only highlights  
4 the lack of imminent irreparable harm to Plaintiff, but also provides the best evidence  
5 that there is no likelihood of consumer confusion.

6 **e. The Marketing Channels Used By the Parties Are Different**

7 Plaintiff broadly and wrongly asserts that, because both Plaintiff’s gift baskets  
8 and Metrokane’s HOUDINI products are sold “in retail stores and in liquor stores,”  
9 that is sufficient to conclude that their marketing channels converge. A more careful  
10 analysis reveals that is not the case.

11 First, the bulk of Plaintiff’s sales are to wholesalers like Costco, Sam’s Club  
12 and BJ’s Wholesale Club, who provide specifications for the contents and pricing of  
13 the baskets they are ordering, and then resell the baskets to the public. (Pl. Br. at 3.).  
14 Accordingly, Plaintiff’s wholesale customers provide input to Plaintiff regarding the  
15 final product. Metrokane’s distribution of its barware to retail stores involves no such  
16 collaborative process.

17 Second, the parties place markedly different emphasis on advertising. Plaintiff  
18 advertises its gift baskets only at the National Association of Food Retailers trade  
19 show (Pl. Br. at 4-5), which is attended primarily by those employed in the food  
20 industry. On the opposite end of the spectrum, Metrokane devotes significant  
21 resources to advertising its HOUDINI corkscrew and other barware in marketing  
22 channels that are highly visible to the average American. In its first sales year,  
23 Metrokane devoted almost \$40,000 to advertising the HOUDINI corkscrew in  
24 national publications such as *Ladies Home Journal*, *Good Housekeeping* and  
25 *Redbook*. (Grossman Decl., ¶ 3.) The following year, it spent between \$100,000 and  
26 \$150,000 on an advertising campaign in these same journals for the HOUDINI  
27 corkscrew products. (*Id.*) Metrokane spent over \$160,000 in 2003 and over \$180,000  
28 in 2004 to advertise the HOUDINI brand on nationwide cable television. The

1 HOUDINI corkscrew has also been featured in publications such as *Inc.* magazine.  
2 (*Id.*, ¶¶ 4-5.)

3 In addition to selling its HOUDINI line at national retailers such as Kohl's,  
4 Target and Linens 'N Things, Metrokane also sells its HOUDINI products through  
5 Amazon.com's massive online store, which attracts approximately 50 million U.S.  
6 consumers to its website monthly. *See siteanalytics.compete.com/amazon.com*;  
7 Grossman Decl., Exh. 2 (Metrokane HOUDINI products on Amazon.com). Plaintiff,  
8 by contrast, does not sell its baskets online under the name "Houdini."

9 Thus, to the extent that the average consumer would ever notice Plaintiff's use  
10 of "Houdini," it would be on the UPC label placed in some inconspicuous location on  
11 a gift basket, or on what Plaintiff vaguely calls "point of sale markers," the use and  
12 appearance of which Plaintiff has not disclosed. That same consumer can find  
13 Metrokane's HOUDINI mark prominently displayed on the products, their packaging,  
14 in major retail stores, online at Amazon.com, and advertised in major national print  
15 and cable television media. Thus, while both parties' products may be sold in retail  
16 and liquor stores, the evidence suggests anything but similar channels of trade.

17 **f. The Pocket Corkscrews in Some of Plaintiff's Baskets Do Not**  
18 **Compare to Metrokane's HOUDINI Lever Pull Corkscrews**

19 In an attempt to prevail on this motion and its infringement claim, Plaintiff  
20 attempts to leave the Court with the impression that consumer confusion may arise  
21 from the fact that a few of Plaintiff's wine-themed gift baskets may contain a  
22 corkscrew. (Pl. Br. at 12.) A proper comparison of the corkscrews, however, reveals  
23 that, in truth, there is simply no comparison. The Metrokane HOUDINI brand  
24 corkscrew, like Metrokane's RABBIT® brand corkscrew, is a piece of hardware that  
25 utilizes a lever to withdraw the cork from the wine bottle with little effort from the  
26 user. It retails for \$30.00. The HOUDINI Zip Kit, which contains a corkscrew and  
27 other wine-related barware, retails for \$50.00. On the other hand, the corkscrews that  
28 Plaintiff places in some of its gift baskets as "trinkets" are simple pocket corkscrews

1 that cost Plaintiff approximately \$1.00 and are merely incidental to the famous name-  
2 brand wine and food items featured in the gift baskets. Thus, in terms of quality, the  
3 two types of corkscrews are “apples and oranges.”

4 **g. Metrokane Adopted the HOUDINI Mark in Good Faith**

5 As discussed above, Metrokane did not adopt the HOUDINI mark for its line of  
6 barware out of any disregard for or intent to harm Plaintiff’s business. Because  
7 Plaintiff cannot dispute this, it attempts to paint Metrokane as a “bad actor” for  
8 continuing to use the mark after Plaintiff prevailed in its cancellation proceeding  
9 before the TTAB only two months ago. (Pl. Br. at 14.) The Ninth Circuit is clear,  
10 however, that the only relevant “intent” is the defendant’s intent in “selecting the  
11 mark,” not in continuing to use it after learning of another’s use. *Sleekcraft*, 599 F.2d  
12 at 348, 354; *Gallo*, 967 F.2d at 1293. This factor weighs in Metrokane’s favor.

13 **h. There Is No Likelihood that Either Party Will Expand Its Use**  
14 **of “Houdini” to Compete with the Other Party**

15 Due to the complete dissimilarity between Plaintiff’s and Metrokane’s  
16 businesses, it is highly unlikely that either would expand its use of “Houdini” into the  
17 other’s area of business. Metrokane has no intention of expanding its HOUDINI line  
18 to include the sale of gift baskets of consumable items such as gourmet food,  
19 beverages and spa items. (Larimer Decl., ¶ 11.) Nor has Plaintiff expressed any  
20 intention to expand its gift basket business to include selling lever pull corkscrews and  
21 other high quality barware directly to consumers. This factor therefore also weighs  
22 against any likelihood of confusion.

23 **D. The Balance of Hardships Weighs Against a Preliminary Injunction**

24 Through this motion, Plaintiff seeks to shut down Metrokane’s entire  
25 HOUDINI line, force Metrokane to forfeit the considerable goodwill it has earned  
26 from that brand, forego the significant time and resources it has expended over the  
27 years to promote its brand in the national media, and expend significant new sums to  
28 devise a new brand identity for the HOUDINI line of barware. Plaintiff asks the Court

1 to grant this extraordinary relief despite its own inexcusable delay in filing this lawsuit  
2 and motion. Worse still, Plaintiff asks the Court to grant this relief based on nothing  
3 more than speculation. While Plaintiff claims that its goodwill in the HOUDINI mark  
4 “will be irreparably and immeasurably damaged” by Metrokane’s use of the  
5 HOUDINI mark (Pl. Br. at 16), it has failed to provide any evidence that such use of  
6 that mark has damaged Plaintiff’s goodwill in any way.

7 The Court is thus presented with a remarkably tilted “balance” of harms. If  
8 Plaintiff’s application is denied, Plaintiff will continue to engage in a highly  
9 successful and reputable gift basket design company in the same way that it always  
10 has. But if this application is granted, Metrokane will have to shut down its  
11 HOUDINI brand, incur millions of dollars in losses and face the destruction of the  
12 business itself. Metrokane respectfully submits that, based on the sparse factual  
13 record that Plaintiff has provided to this Court, it has fallen far short of justifying the  
14 “extraordinary remedy” of preliminary injunctive relief.

15 **V. CONCLUSION**

16 For the foregoing reasons, Defendant Metrokane respectfully requests that this  
17 Court deny Plaintiff’s Motion in its entirety.

18  
19 Dated: July 21, 2008

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

20  
21 By /s/ Darren M. Franklin

22 DARREN M. FRANKLIN  
23 Attorneys for Defendant  
24 METROKANE INC.  
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# EXHIBIT E

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11 UNITED STATES DISTRICT COURT  
12 CENTRAL DISTRICT OF CALIFORNIA

13 HOUDINI, INC.,

14 Plaintiff,

15 vs.

16 METROKANE CORPORATION,

17 Defendant.

Case No. CV08-03076 PA (FMOx)

**PLAINTIFF'S REPLY IN  
SUPPORT OF ITS MOTION FOR  
A PRELIMINARY INJUNCTION**

**DATE: August 4, 2008**  
**TIME: 1:30 p.m.**  
**CTRM: 15**

**Hon. Percy Anderson**

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1 **I. INTRODUCTION.**

2 Defendant Metrokane opposes Plaintiff Houdini's Motion For a Preliminary  
3 Injunction on three bases: 1) laches; 2) lack of proof of imminent irreparable  
4 injury; and 3) no likelihood of confusion. However, laches requires an  
5 unreasonable delay by a plaintiff in asserting its rights together with detrimental  
6 reliance by the defendant on the delay. In the present case, Metrokane asserts that  
7 Houdini waited five years, i.e., from February 2003<sup>1</sup> to May 2008 before  
8 commencing the present action. By so alleging, Metrokane conveniently ignores  
9 the fact that the parties were engaged in settlement discussions from September  
10 2004 through March 2005 and legal proceedings in the United States Patent and  
11 Trademark Office (the "PTO") from July 2005 through May 2008. Houdini  
12 commenced this action within days after the conclusion of the PTO proceeding.  
13 As such, Houdini has not unreasonably delayed in asserting its claims. Further,  
14 Metrokane asserts that it was unaware of Houdini until it received a cease and  
15 desist letter from Houdini's attorney in September 2004. Since Houdini has  
16 consistently asserted its rights from that date to the present, Metrokane can show  
17 no direct harm resulting from Houdini's alleged delay in asserting its rights and  
18 indeed does not even allege that it detrimentally relied on the alleged delay by  
19 Plaintiff. Consequently, Metrokane's claim of laches must be denied.

20 Similarly, Metrokane's assertion that this Court should ignore the long-  
21 standing principle in the Ninth Circuit that a presumption of irreparable harm is  
22 created by a strong showing of a likelihood of success on the merits in a  
23 trademark infringement case is without merit. As support for its position,  
24 Metrokane cites a ruling by Judge Morrow who specifically states that she has no  
25 guidance from the Ninth Circuit as to whether the Supreme Court's recent  
26

27 <sup>1</sup> The February 2003 date is based on constructive notice of Metrokane's  
28 registration of the HOUDINI trademark. Houdini actually learned of Metrokane's  
use of Houdini in September 2004. (Plumley Decl., ¶ 2)

1 decision concerning permanent injunction in a patent case applies to a preliminary  
2 injunction in a trademark case.<sup>2</sup> Judge Morrow opined that it did and found that  
3 in that case the Plaintiff had not demonstrated "that its mark has been weakened  
4 to any appreciable degree."<sup>3</sup> In contrast, Metrokane admits that it expanded its  
5 line of HOUDINI branded goods during the PTO proceeding with an exponential  
6 growth of its sales during this timeframe. Contrary to the *Adir International* case,  
7 Metrokane's expanding use of the HOUDINI mark clearly weakens the  
8 distinctiveness of Houdini's house mark.

9 Lastly, Metrokane presents the same facts and the same arguments which it  
10 presented to the PTO when it opposed Houdini's claim that there was a likelihood  
11 of confusion caused by the parties' contemporaneous use of the identical  
12 trademark for goods which are clearly related or complementary -- i.e., Houdini's  
13 gift baskets containing wine and Metrokane's wine accessories such as  
14 corkscrews and wine glasses. After three years of a hotly contested proceeding,  
15 including the PTO equivalent of a trial, the PTO ruled that there was a likelihood  
16 of confusion based on the same evidence presented to this Court. As such,  
17 Houdini has shown a strong likelihood of success on its claim of trademark  
18 infringement. Metrokane's arguments should be rejected and a preliminary  
19 injunction should issue.

## 20 **II. FACTS.**

21 Before replying to Metrokane's arguments, Houdini is constrained to point  
22 out two blatantly erroneous/misleading statements by Metrokane.

23 1. "Plaintiff's use of the trade name 'Houdini, Inc.' is exclusively

24 \_\_\_\_\_  
25 <sup>2</sup> Patent infringement is very different from trademark infringement. Patent  
26 infringement can always be remedied by a monetary award wherein this is not  
27 true for damage to a trademark owner's goodwill where calculation of such harm  
28 is difficult.

<sup>3</sup> *Adir International, LLC v. Unicomer S.A. de CV*, Case No. CV07-01314 at 41  
MMM (CTx) (C.D. Cal Nov. 19, 2007)

1 through its wholesale design and distribution services made available to a handful  
2 of large national warehouses type stores and not intended to be used in retail  
3 sales." Metrokane Opp. p.5, lines 2-4.

4 **COMMENT:** Houdini sells gift baskets, not design and distribution  
5 services. It sells these gift baskets, all of which have labels identifying Houdini,  
6 Inc. as the source and some of which have HOUDINI in their name, to a wide  
7 range of customers for resale at their retail stores. These customers include  
8 Target, Bed, Bath & Beyond, Beverages & More, Pier One, Albertson's, and  
9 Smart & Final. See Schwartz Decl.<sup>4</sup>, Exh. A, p.6, Exh. B, p.5.

10 2. "Plaintiff's motion papers offer no proof that any gift baskets sold  
11 prior to April 16, 2002 contained a corkscrew with the "HOUDINI" trade name  
12 offered therein."

13 **COMMENT:** While it is true that Houdini did not affix the HOUDINI  
14 trade name to corkscrews, Houdini has affixed the HOUDINI name to gift baskets  
15 containing wine and sometimes wine accessories since 1985, long prior to  
16 Metrokane's first use of the HOUDINI mark in 2002. See Schwartz Decl., Exh.  
17 A, pp. 5-6.

18 **III. ARGUMENT.**

19 **A. Houdini Did Not Unreasonably Delay In Asserting Its**  
20 **Trademark Rights Against Metrokane.**

21 Laches is an equitable defense analogous to a statute of limitations. In  
22 deciding whether laches exists, the following factors must be considered: 1) the  
23 strength of plaintiff's trademark; 2) plaintiff's diligence in enforcing the mark; 3)  
24 the harm to plaintiff if relief is denied; 4) whether defendant acted in good faith  
25 ignorance of plaintiff's rights; 5) competition between the parties; and 6) the harm

26  
27 <sup>4</sup> The Declaration of Edward R. Schwartz ("Schwartz Decl.") was submitted in  
28 support of Plaintiff's Motion. A Supplemental Declaration of Edward R.  
Schwartz is submitted herewith.

1 suffered by defendant because of plaintiff's delay. *Tillamook Country Smoker,*  
2 *Inc. v. Tillamook County Creamery Association*, 465 F.3d 1102, 1108 (9th Cir.  
3 2006) A consideration of these factors demonstrates that Metrokane's laches  
4 defense should be denied.

5 **1. Plaintiff's HOUDINI Trademark is Strong.**

6 "Strength" of a mark has two aspects -- inherent strength of the trademark  
7 and its commercial strength. As discussed in Houdini's opening brief, the  
8 HOUDINI mark is a strong trademark because it is inherently distinctive for gift  
9 baskets and gift packages containing wine and wine accessories. Further, the  
10 mark is commercially strong because Houdini has used its name HOUDINI as a  
11 source of its products for over twenty years, i.e., since 1985, and is one of the  
12 largest sellers of gift baskets in the United States. As a result of this continuous  
13 use, the HOUDINI mark is well known in its field. Schwartz Decl., Exh. A, p.  
14 15, Exh. B, p. 27.

15 **2. Houdini Has Diligently Enforced its Mark.**

16 It is uncontroverted that: 1) Metrokane's registration for HOUDINI issued  
17 in February 2003; 2) Houdini did not actually know of Metrokane's use of the  
18 HOUDINI trademark until September 2004; 3) Houdini sent Metrokane a cease  
19 and desist letter within days of learning of Metrokane's use of the HOUDINI  
20 mark; 4) settlement discussions and letters were exchanged by the parties'  
21 respective counsel through March 2005; 5) Houdini contested Metrokane's  
22 registration of the HOUDINI mark by instituting a cancellation proceeding in the  
23 PTO in July 2005; 6) the cancellation proceeding was hotly contested for three  
24 years with the PTO rendering a decision after trial dated May 1, 2008; and  
25 7) Houdini commenced this action on May 9, 2008.

26 Houdini's delay in commencing this action from September 2004 through  
27 March 2005 was justified by the existence of settlement negotiations between the  
28 parties. *See: McCarthy, Trademarks and Unfair Competition*, § 31:15 at 31-53



1 ["Delay in filing suit for infringement will not count for laches if during that time  
2 the parties were engaged in good faith settlement negotiations."] citing *inter alia*,  
3 *E & J Gallo Winery v. Gallo Cattle Co.*, 12 U.S.P.Q. 2d 1657 (E.D. Cal 1984),  
4 modified, *affd.*, 955 F.2d 1327 (9th Cir. 1992); *Ocean Garden, Inc. v. Mark*  
5 *Trade Co.*, 953 F.2d 500 (9th Cir. 1991); *Guess? Inc. v. Tres Hermanos*, 993  
6 F.Supp. 1277 (C.D. Cal 1997).

7 In addition, Houdini's delay in commencing this action from July 2005  
8 through May 2008 is justified by the contested cancellation proceeding between  
9 the parties in the PTO. *McCarthy*, § 31:16 at 31-54-55 ["The filing of an  
10 opposition proceeding against an alleged infringer's pending registration will  
11 generally constitute a sufficient reason for waiting to file an infringement suit in  
12 federal court. That is, the opposer can wait for the return of the opposition  
13 proceeding before deciding whether to file an infringement suit in court. As one  
14 court rendered: "While a successful opposition only acts to prevent registration  
15 and not use, as a practical matter, it puts the defendant on notice that, at the least,  
16 the plaintiff is not going to 'sleep on its rights,' and indeed, in our view, goes even  
17 further and puts the defendant on notice that the opposer also protects its use of  
18 the confusingly similar mark."]

19 As such, the delay in Houdini's rights was actually from the date of  
20 constructive notice based on Metrokane's registration in February 2002 to the date  
21 of Houdini's cease and desist letter to Metrokane in September 2004 --  
22 approximately 2½ years, less than the corresponding statutes of limitations of 3  
23 and 4 years alleged by Metrokane. See Metrokane's Opp. at 11-12.

24 Metrokane nevertheless asserts that Houdini waited five years before  
25 seeking an injunction. As stated above, most of the alleged delay was taken up by  
26 the PTO proceeding to determine whether Metrokane's registration for HOUDINI  
27 should be cancelled. The basic issues in that proceeding, as here, were whether  
28 Houdini had superior rights to the HOUDINI mark and if there was a likelihood

1 of confusion between the parties' marks. Metrokane also asserted a laches  
2 defense. (See Complaint, Exh. A) The existence of a federal registration of a  
3 mark on the Principal Register of the PTO evidences ownership of the mark as a  
4 matter of law. 15 U.S.C. § 1057(b) As such, Houdini could not show a  
5 likelihood of success on the merits of its claim for trademark infringement -- a  
6 basic proof required for a preliminary injunction -- while Metrokane's registration  
7 for HOUDINI was in full force and effect. Only after the PTO ruled in Houdini's  
8 favor and ordered cancellation of Metrokane's mark could Houdini seek a  
9 preliminary injunction with a reasonable basis for believing that it could  
10 demonstrate a likelihood of success on the merits.<sup>5</sup> Upon receipt of such ruling,  
11 Houdini commenced this action within days and promptly prepared and filed its  
12 motion for a preliminary injunction. As such, Houdini did not unreasonably  
13 delay in bringing this motion.

14 **3. The Distinctiveness of Houdini's House Mark is Being**  
15 **Diluted by Metrokane's Use of The Identical Mark.**

16 A trade name is a name used by a person to identify his business. 15  
17 U.S.C. § 1127. A trademark is a word or name used by a person to identify and  
18 distinguish his goods from those sold by others. *Id.* This is why the basic proof  
19 in a trademark infringement action is whether defendant's use of a trademark is  
20 likely to cause confusion with the plaintiff's mark. *See: Parfums Givenchy, Inc.*  
21 *v. Drug Emporium, Inc.*, 38 F.3d 477, 484 (9th Cir. 1994) cert denied, 115 S.Ct.  
22 1315.

23 In the present case, Houdini uses the term HOUDINI both as a trade name  
24 and as a trademark and the harm which it has suffered and continues to suffer, is  
25 the loss of distinctiveness of its name by Metrokane's use of the identical term for  
26

27 <sup>5</sup> Although Houdini could have sought cancellation of Metrokane's registration in  
28 a civil action, Houdini still could not have reasonably sought a preliminary  
injunction until after the Court had ruled that the registration should be cancelled.



1 competing, related and complementary goods. Indeed, Metrokane's claim of  
2 increasing advertising and sales is a strong reason why an injunction is needed  
3 now rather than after trial, presumably in a year or so.

4 **4. Metrokane's Intent in Adopting and Continuing to Use**  
5 **The Houdini Mark.**

6 Metrokane claims that it did not learn of Houdini's existence until it  
7 received a cease and desist letter from Houdini in September 2004. See  
8 Metrokane's Opp. at 15. However, Metrokane plainly would have discovered  
9 Houdini's existence if it had done any reasonable investigation before it adopted  
10 the HOUDINI mark in 2002. In response to interrogatories in the PTO  
11 proceeding as to whether Metrokane conducted any search or obtained any  
12 opinion of counsel concerning the availability of the HOUDINI mark, Metrokane  
13 responded "The subject matter of this interrogatory is under investigation by  
14 obtaining the facts of former counsel and this response will be supplemented in  
15 due course." See Schwartz Supplemental Decl., ¶ 2, 3, Exh. B, C, Int. Nos. 9-11.  
16 However, Metrokane never did supplement its responses or produce any  
17 documents concerning these matters as requested by Houdini. See *Id.*, Exh. B, C.  
18 Document Request Nos. 4-6. Therefore, it can be assumed that it did not conduct  
19 a search and did not obtain an opinion of counsel. Such willful blindness does  
20 not evidence good faith nor does Metrokane's continued use of the HOUDINI  
21 mark after commencement of the PTO proceeding and after the PTO rendered its  
22 decision that Houdini has superior rights in the HOUDINI mark and that  
23 Metrokane's use of the mark was likely to cause confusion.

24 **5. The Parties' Products Are Competitive, Related and**  
25 **Complementary.**

26 Houdini sells gift baskets and packages containing wine and sometimes  
27 wine accessories. Metrokane uses HOUDINI as a trademark for wine accessories  
28 such as wine glasses, wine bottles, foil cutters and corkscrews. Plainly, such uses

1 are related or competitive. Further, Metrokane has commenced sale of HOUDINI  
2 gift packages for wine accessories in which the purchaser inserts a bottle of wine.  
3 See Schwartz Supplemental Decl., ¶ 4, Exh. D. Plainly, this product is directly  
4 competitive with Houdini's gift packages containing bottles of wine and wine  
5 accessories.

6           **6. Metrokane Has Not Been Harmed by Houdini's Delay in**  
7           **Asserting Its Rights.**

8           Houdini first asserted its claim of superior rights in the HOUDINI mark in  
9 September 2004 and Metrokane asserts that it did not know of Houdini prior to  
10 that date. In response to Houdini's claim, Metrokane communicated with  
11 Houdini's counsel and subsequently contested Houdini's claim before the PTO.  
12 During this entire period, Metrokane continued to do business as usual and indeed  
13 expanded its use of the HOUDINI mark. As such, Metrokane did not rely on  
14 Houdini's delay to its detriment. The importance of this absence of detrimental  
15 reliance dooms Metrokane's claim of laches. As the Ninth Circuit stated:

16           Mere passage of time cannot constitute laches, but if the  
17           passage of time can be shown to have lulled defendant  
18           with a false sense of security, and the defendant acts in  
19           reliance thereon, laches may, in the discretion of the  
20           trial court, be found.

21           *Whiteman v. Walt Disney Productions, Inc.*, 263 F.2d 229, 231 (9th Cir. 1958)

22  
23 In the present case, there was no such lull -- the parties have been vigorously  
24 contesting their respective rights in the PTO for the past three years.

25           In sum, Houdini did not unreasonably delay in asserting its rights and  
26 Metrokane did not prejudicially rely on the delay. Fundamental fairness favors  
27 allowing Houdini's claims to be adjudicated on their merits.  
28

1           **B.     The Harm to Houdini From Metrokane's Use of The Trademark**  
2                       **Houdini is Not Speculative.**

3           The harm to Houdini from Metrokane's use of Houdini's trade name and  
4 trademark for competitive and/or related or complementary products is clear --  
5 Houdini has lost control of the name by which it is known to its customers and  
6 the public. The dilution of the distinctiveness of Houdini's HOUDINI mark as a  
7 result of Metrokane's increasing advertising and sales of its HOUDINI products is  
8 clearly evidenced by Metrokane's statement that its HOUDINI trademark is "well-  
9 known" (Metrokane's Opp. at 2, lines 3-5) and that the sales growth of  
10 Metrokane's products is a result of consumer recognition of Metrokane's  
11 HOUDINI products. (Metrokane Opp., p.4, lines 19-21) As such, even if there is  
12 no presumption of irreparable injury as Metrokane asserts, the evidence of  
13 damage to the distinctiveness of Houdini's name and mark, i.e, Houdini's  
14 goodwill -- is shown by Metrokane's own allegations. Indeed, to the extent that  
15 Metrokane alleges that consumers recognize HOUDINI as designating the source  
16 of Metrokane's products is true, this may be a case of reverse confusion. See:  
17 *McCarthy*, § 23:10 at 23-47 "[R]everse confusion occurs when the junior user's  
18 advertising and promotion so swamps the senior user's reputation in the market  
19 that customers are likely to be confused into thinking that the senior user's goods  
20 are those of the junior user. . . ."]

21           Further, it should be noted that none of the cases cited by Metrokane as  
22 requiring proof of imminent irreparable harm involves trademark infringement  
23 other than the *Adir International* case. See Metrokane Opp. at 8-9. Specifically,  
24 *Caribbean Mar. Serv. Co. v. Baldridge*, 844 F.2d 668 (9th Cir. 1988) related to  
25 whether female porpoise observers on a fishing boat would interfere with fishing  
26 operations on the boat. (*Id.* at 675) *Oakland Tribune, Inc. v. Chronicle Pub. Co.*  
27 762 F.2d 1374 (9th Cir. 1985) involved alleged monopolization of a newspaper  
28 market by exclusive feature contents. [Notably, the Court assumed that loss of

1 reputation, competitiveness and goodwill constitute irreparable injury but found  
2 that the circumstances in issue did not demonstrate such injury. *Id.* at 1377]; and  
3 *Campbell Soup Co. v. Con Agra, Inc.*, 977 F.2d 86 (3d Cir. 1992) involved a  
4 request by homeless people to enjoin enforcement of an alleged policy of  
5 isolating, harassing and arresting them. The alleged irreparable harm in those  
6 cases is purely speculative whereas the damage to a trademark owner's goodwill  
7 by virtue of an infringement is clear.

8 Even in the one trademark case cited by Metrokane, Judge Morrow  
9 acknowledged that the Ninth Circuit did not opine whether the presumption of  
10 irreparable harm continues in trademark cases (See *Adir* p. 39., n. 103) and found  
11 that a preliminary injunction in that case was not warranted because "Adir's  
12 evidence simply does not demonstrate that its mark has been weakened to any  
13 appreciable degree." *Id.* at 41. In contrast, the evidence presented by Metrokane  
14 shows that it has made a substantial effort to have the public recognize HOUDINI  
15 as the designation of Metrokane's products. Indeed, Metrokane asserts that its  
16 expanding efforts have been successful. As such, the evidence clearly  
17 demonstrates that Houdini's mark has been weakened and will be weakened  
18 further if a preliminary injunction does not issue.

19 **C. The Evidence Shows That There is a Likelihood of Confusion**  
20 **Caused By The Parties' Use of The Identical Mark For**  
21 **Competing, Related And Complementary Products.**

22 Houdini argued its position concerning the likelihood of confusion issue in  
23 its principal brief and will not repeat those arguments here. However, Houdini  
24 refers the Court to the PTO decision wherein those very issues were analyzed by  
25 the PTO. See: Complaint, Exh A. The PTO's analysis rebuts Metrokane's present  
26 arguments which it also made to the PTO.

27 However, a few statements made by Metrokane on the likelihood of  
28 confusion do require response.

1           1. "Plaintiff and Metrokane are not competitors. Metrokane makes  
2 corkscrews, wine accessories, other bar ware, and housewares. Plaintiff designs  
3 and assembles gift baskets of many varieties that it fills with food, beverages, and  
4 other consumable items. . . ." Metrokane Opp. at 18, lines 20-23.

5           **COMMENT:** Metrokane mischaracterizes Houdini's business by  
6 conveniently omitting the fact that many of Houdini's gift baskets and gift  
7 packages contain wine, some with accessories such as wine glasses and foil  
8 cutters. Further, Metrokane's sale of gift packages containing wine accessories in  
9 which a consumer inserts a wine bottle is clearly in direct competition with  
10 Houdini. Compare Schwartz Supplemental Decl., Exhs. A and D.

11           2. "The marketing channels used by the parties are different."  
12 Metrokane Opp. at 22, line 6.

13           **COMMENT:** Houdini's gift baskets containing wine and Metrokane's  
14 HOUDINI corkscrews, wine glasses and wine bottle foil cutters are sold in  
15 Beverages & More, Target and Kohls as well as in liquor stores. See Schwartz  
16 Decl., Exh. A, pp. 6-9, Exh. B, pp. 5, 11, 12. Plainly the marketing channels  
17 overlap.

18           3. "There is no likelihood that either party will expand its line of  
19 'Houdini' to compete with the other party." Metrokane Opp. at 24, lines 13-14.

20           **COMMENT:** While Metrokane identifies various HOUDINI wine  
21 accessories which it sells, it fails to inform the Court that it sells a "Houdini Add-  
22 A-Wine Gift Set" in direct competition with Houdini. See Schwartz  
23 Supplemental Decl., Exh. D.


24           **IV. CONCLUSION.**

25           Plaintiff Houdini has shown that there is a likelihood that it will succeed on  
26 its claim of trademark infringement and that the damage to its goodwill as  
27 represented by its house mark HOUDINI is being irreparably damaged by  
28 Metrokane's use of HOUDINI. Further, Metrokane's claim of laches is without

1 merit since Houdini did not unreasonably delay in asserting its rights and  
2 Metrokane did not detrimentally rely on the purported delay. A preliminary  
3 injunction is in order.  
4

5 Respectfully submitted,  
6 CHRISTIE, PARKER & HALE, LLP  
7

8 DATED: July 28, 2008

9 By   
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**CERTIFICATE OF SERVICE**

I certify that on July 28, 2008, I electronically filed the document described as **PLAINTIFF'S REPLY IN SUPPORT OF ITS MOTION FOR A PRELIMINARY INJUNCTION** with the Clerk of the Court using the ECF system which will send notification of such filing to the parties.

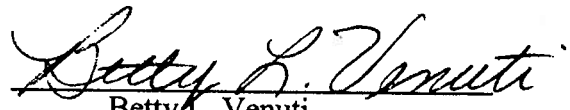
  
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EXHIBIT *E*  
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